



## THE STANDARD BANK OF SOUTH AFRICA LIMITED

*(Incorporated with limited liability on 13 March 1962 under registration number 1962/000738/06  
in the Republic of South Africa)*

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### USD 1,000,000,000 Structured Note Programme

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Under this USD 1,000,000,000 structured note programme (the "**Programme**") The Standard Bank of South Africa Limited (the "**Issuer**") may from time to time issue notes (the "**Notes**") denominated in any currency agreed by the Issuer and the Dealer. Notes issued under the Programme on or after the date hereof (the "**Programme Date**") are subject to the provisions described in this programme memorandum (the "**Programme Memorandum**"). This Programme Memorandum does not affect any Notes issued before the Programme Date and the relevant prior 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.

Under this Programme the Issuer may from time to time issue, without limitation, Fixed Rate Notes, Floating Rate Notes, Mixed Rate Notes, Zero Coupon Notes, Indexed Notes, Credit Linked Notes, Equity Linked Notes and/or FX Linked 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. Save as set out herein, the Notes will not be subject to any minimum or maximum maturity and the maximum aggregate Nominal Amount of all Notes from time to time outstanding will not exceed USD 1,000,000,000.

This Programme Memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectuses for securities dated 16 July 2019. This Programme Memorandum should be used for the purpose for which it is published.

This Programme Memorandum has been approved by the Luxembourg Stock Exchange for a period of one year in connection with the admission to the Official List of the Luxembourg Stock Exchange and to trading on the Luxembourg Stock Exchange's Euro MTF (the "**Euro MTF**") of Notes issued by the Issuer on the Official List of the Luxembourg Stock Exchange's Euro MTF. A Tranche of Notes may be listed on the Euro MTF 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.

As at the Programme Date, the Notes to be issued under this Programme are not rated by any rating agency. From time to time the Notes issued under this Programme may be individually rated. 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](http://www.standardbank.co.za). The Issuer may issue Notes 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.

This Programme Memorandum shall supersede and replace the Programme Memorandum dated 9 September 2019.

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

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Programme Memorandum dated 14 September 2020

## 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 accepts responsibility for the information given in this Programme Memorandum and confirms that, having taken all reasonable care to ensure that such is the case, the information contained in this Programme Memorandum is, to the best of its knowledge, in accordance with the facts and does not omit anything likely to affect its import.

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 Dealer or 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 Dealer 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 Dealer or 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 (also referred to in this Programme Memorandum as the "United States"), the United Kingdom, the Republic of South Africa (also referred to in this Programme Memorandum as "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 there under, 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 (as amended) (the Securities Act) and Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States of America or to U.S. persons (as defined in Regulation S under the Securities Act) except in accordance with Regulation S under the Securities Act.**

**This Programme Memorandum has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area (the "EEA") or the United Kingdom (each, a "Relevant State") will be made pursuant to an exemption under Regulation (EU) 2017/1129 (the "Prospectus Regulation") from the requirement to publish a prospectus for offers of Securities. Accordingly, any person making or intending to make an offer in that Relevant State of Securities which are the subject of an offering contemplated in this Programme Memorandum as completed by an Applicable Pricing Supplement in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or the Dealers to publish or supplement a prospectus pursuant to Article 3 of the Prospectus Regulation in relation to such offer. Neither the Issuer nor the Dealer has authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer to publish a prospectus for such offer.**

**The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making**

**them available to any retail investor in the EEA or in the United Kingdom may be unlawful under the PRIIPs Regulation.**

All references in this document to **U.S. Dollars, USD and US\$** are to the lawful currency of the United States of America.

**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, 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 at the time of issue, in accordance with the prevailing market conditions.

By its acquisition of a Note, an investor in Equity Linked Notes linked to Shares of Share Companies is deemed to represent to the Issuer that:

- (a) it is not doing so based on inside information as contemplated in any legislation or regulations governing insider trading or any comparable legislation or regulation in any applicable jurisdiction;
- (b) it is not involved in any form of market manipulation or market abuse as contemplated in any legislation or regulations governing market manipulation or market abuse or any comparable legislation or regulation in any applicable jurisdiction;
- (c) it is not in possession of information relating directly or indirectly to a Share and/or Share Company which has not been made public and which if it were made public would be likely either to be used by a reasonable investor to make investment decisions in respect of the relevant Share or to have a significant effect on the price of the relevant Shares; and
- (d) it has complied with all disclosure and reporting requirements involving the relevant Shares and the relevant Share Company, which may be relevant to the acquisition or selling of the Equity Linked Note in accordance with applicable legal and regulatory provisions or in accordance with any securities exchange regulation including disclosure requirements imposed under market abuse rules or legal and regulatory provisions relating to the transparency of shareholding of Share Companies listed in any applicable jurisdiction.

## **FORWARD-LOOKING STATEMENTS**

Certain statements in this Programme Memorandum, including the documents incorporated by reference herein, are forward-looking statements. These statements can be identified by the fact that they do not relate strictly to historical or current facts. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", or other words of similar meaning. Forward-looking statements provide the Issuer's current expectations or forecasts of future events, circumstances, results or aspirations. In addition, the Issuer's senior management may make forward-looking statements orally to analysts, investors, representatives of the media and others.

All forward-looking statements are, by their nature, subject to risks and uncertainties, many of which are beyond the Issuer's control. The Issuer's actual future results may differ materially from those set forth in its forward-looking statements.

Any forward-looking statements made by or on behalf of the Issuer speak only as of the date they are made, and the Issuer does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements were made.

## TABLE OF CONTENTS

	<i>Page</i>
DOCUMENTS INCORPORATED BY REFERENCE.....	7
GENERAL DESCRIPTION OF THE PROGRAMME .....	10
SUMMARY OF THE PROGRAMME .....	11
FORM OF THE NOTES .....	18
RISK FACTORS .....	24
PRESENTATION OF FINANCIAL INFORMATION .....	59
<i>PRO FORMA</i> APPLICABLE PRICING SUPPLEMENT .....	60
TERMS AND CONDITIONS OF THE NOTES .....	97
ANNEX 1 .....	150
ANNEX 2 .....	253
ANNEX 3 .....	274
ANNEX 4 .....	293
USE OF PROCEEDS .....	296
DESCRIPTION OF THE STANDARD BANK OF SOUTH AFRICA LIMITED .....	297
SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM .....	363
SOUTH AFRICAN EXCHANGE CONTROL .....	365
SOUTH AFRICAN TAXATION .....	367
SUBSCRIPTION AND SALE .....	371
GENERAL INFORMATION .....	374

## 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.*

### I. Documents

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 Dealer Agreement dated 14 September 2020 between the Arranger (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 two financial years ended 31 December 2018 and 2019 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 as well as any and all interim financial accounts, management accounts or other financial statements published by the Issuer from time to time; and
- (c) each Applicable Pricing Supplement relating to any Tranche of Notes issued under the Programme on or after the Programme Date,

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 does not publish interim financial statements.

### II. Information

The table below sets out the relevant page references for the information incorporated into this Programme Memorandum by reference. The Documents, or copies thereof, will be available, during normal business hours on any working day in Luxembourg, free of charge, at the office of the Paying Agent in Luxembourg.

<b>Information incorporated by reference</b>	<b>Page reference</b>
<i>From The Standard Bank of South Africa Annual Report 2019</i>	
<b>Annual financial statements</b>	Pages 32 to 215
Independent auditor's report	Pages 37 to 43
Statements of financial position	Page 44

Income statements	Page 45
Statements of other comprehensive income	Page 46
Statements of cash flows	Page 47
Statements of changes in equity	Pages 48 to 51
Accounting policy elections and restatement	Pages 52 to 58
Key management assumptions	Pages 59 to 64
Notes to the annual financial statements	Pages 65 to 135
Annexure A: Subsidiaries, consolidated and unconsolidated structured entities	Pages 136 to 143
Annexure B: Associates and joint ventures	Pages 144 to 145
Annexure C: Risk and capital management – IFRS disclosures	Pages 146 to 163
Annexure D: Equity-linked transactions	Pages 164 to 169
Annexure E: Emoluments and share incentives of directors and prescribed officers	Pages 170 to 185
Annexure F: Detailed accounting policies	Pages 186 to 215

*From The Standard Bank of South Africa Annual Report 2018*

<b>Annual financial statements</b>	Pages 30 to 215
Independent auditor’s report	Pages 37 to 41
Statements of financial position	Page 42
Income statements	Page 43
Statements of other comprehensive income	Page 44
Statements of cash flows	Page 45
Statements of changes in equity	Page 46
Accounting policy elections and restatement	Page 50 to 56
Key management assumptions	Page 57
Notes to the annual financial statements	Pages 64 to 129



Annexure A: Subsidiaries, consolidated and unconsolidated structured entities	Pages 130 to 137
Annexure B: Associates and joint ventures	Pages 138 to 139
Annexure C: Risk and Capital Management – IFRS Disclosures	Pages 140 to 157
Annexure D: Equity-linked transactions	Pages 158 to 163
Annexure E: Emoluments and share incentives of directors and prescribed officers	Pages 164 to 181
Annexure F: Detailed accounting policies	Pages 182 to 215

Investors who have not previously reviewed the information contained in the above documents should do so in connection with their evaluation of any Notes. Any statement contained in a document, all or the relevant portion of which is incorporated by reference into this Programme Memorandum, shall be deemed to be modified or superseded for the purpose of this Programme Memorandum to the extent that a statement contained in this Programme Memorandum or in any supplement to this Programme Memorandum, including any documents incorporated therein by reference, modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

Upon request, the Issuer will provide a copy of any of the public documents deemed to be incorporated herein by reference, unless such documents have been modified or superseded. Requests for such documents should be directed to the Issuer at its Specified Office. A copy of this Programme Memorandum and any supplementary documents published since the date of this Programme Memorandum are available on the Debt Centre page on the Issuer's website ([www.standardbank.co.za](http://www.standardbank.co.za)). The audited annual financial statements of the Issuer are also available on the Issuer's website, [www.standardbank.co.za](http://www.standardbank.co.za). Any financial notice (if any) concerning the Issuer and intended for the Noteholders will be available on the Issuer's website. In addition, this Programme Memorandum, any supplements and/or amendments thereto and the Applicable Pricing Supplements relating to any issue of Notes admitted and traded on the Luxembourg Stock Exchange's Euro MTF will be published on and available in electronic form on the Luxembourg Stock Exchange's website ([www.bourse.lu](http://www.bourse.lu)) during the life of this Programme Memorandum and for so long as Notes are admitted and traded on the Luxembourg Stock Exchange under the Programme.

## 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 USD 1,000,000,000 (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 USD equivalent of Notes denominated in another currency shall be determined at or about the time of the issue of such Notes on the basis of the spot rate at such time for the sale of such USD amount against the purchase of such currency or unit of account in the London 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, Equity Linked 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 of the relevant issue.

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) Noteholders, (ii) the relevant Financial Exchange(s), (iii) the Transfer, Paying and Calculation Agents, and (iv) the Arranger in accordance with 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.

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 words 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

<b>Arranger</b>	The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking Division) (Registration Number 1962/000738/06).
<b>Dealers</b>	The Standard Bank of South Africa Limited (acting through its Corporate and Investment Banking Division) (Registration Number 1962/000738/06) 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.
<b>Issuer</b>	The Standard Bank of South Africa Limited (Registration Number 1962/000738/06).
<b>Principal Paying Agent</b>	The Bank of New York Mellon, acting through its London office
<b>Registrar</b>	The Bank of New York Mellon S.A./N.V., Luxembourg Branch
<b>Calculation Agent</b>	The Issuer, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Calculation Agent, in which event that other entity shall act in such capacity in respect of that Tranche or Series of Notes.
<b>Luxembourg Paying Agent</b>	The Bank of New York Mellon S.A./N.V., Luxembourg Branch will act as Luxembourg Paying Agent in respect of Notes listed on the Luxembourg Stock Exchange Euro MTF only.
<b>Issuer's Legal Entity Identifier (LEI)</b>	QFC8ZCW3Q5PRXU1XTM60

### GENERAL

<b>Denomination of Notes</b>	Notes will be issued in such denominations as may be specified in the Applicable Pricing Supplement.
<b>Description of the Programme</b>	The Standard Bank of South Africa Limited USD 1,000,000,000 Structured Note Programme.
<b>Form of Notes</b>	Notes may be issued in bearer form or in registered form.

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note (each defined in the section "*Form of the Notes*"), in each case as specified in the relevant Pricing Supplement. Each Global Note will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system. Each Temporary Global Note will be exchangeable for a Permanent Global Note or for Definitive Notes in accordance with its terms. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Each Tranche of Registered Notes will be in the form of either individual Note Certificates ("**Individual Note Certificates**") or a Global Registered Note Certificate (a "**Global Registered Note Certificate**"), in each case as specified in the Applicable Pricing Supplement. Each Global Registered Note Certificate will be deposited on or around the relevant issue date with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and registered in the name of a nominee for such depositary. Persons holding beneficial interests in the Global Registered Note Certificate will be entitled or required, as the case may be, to receive physical delivery of Individual Note Certificates.

Interests in a Global Registered Note Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Note Certificates without receipts, interest coupons or talons attached only in the limited circumstances.

<b>Governing Law</b>	The Programme Memorandum, the Terms and Conditions and the Notes will be governed by, and construed in accordance with the laws of England and Wales.
<b>Interest</b>	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, and, in the case of Credit Linked Notes, Interest may cease to accrue prior to the due date for redemption, all as specified in the Applicable Pricing Supplement.
<b>Interest Period(s) or Interest Payment Date(s)</b>	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.
<b>Interim Amount(s)</b>	Equity Linked Interim Amount Notes may pay interim amount(s) as specified in the Applicable Pricing Supplement.

<b>Issue Price</b>	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.
<b>Listing</b>	<p>This Programme has been approved by the Luxembourg Stock Exchange in connection with the admission to the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF of the Notes. Notes issued under the Programme may be admitted to the Official List and traded on the Euro MTF, or on a successor exchange or such other or additional Financial Exchange(s) as may be selected by the Issuer in relation to such issue. Unlisted Notes may also be issued under the Programme.</p> <p>The Applicable Pricing Supplement in respect of a Tranche of Notes will specify whether or not such Tranche of Notes will be listed, on which Financial Exchange they are to be listed (if applicable).</p> <p>No Notes will be listed or admitted to trading on a regulated market (for the purpose of MiFID II) in the European Economic Area.</p>
<b>Noteholder(s)</b>	The holders of the Registered Notes (as recorded in the Register) and/or Bearers of the Bearer Notes and/or the holders of Beneficial Interests therein.
<b>Notes</b>	<p>Notes may comprise:</p> <p><b>Fixed Rate Notes:</b> Fixed Rate Notes will bear interest at a fixed interest rate, as indicated in the Applicable Pricing Supplement;</p> <p><b>Floating Rate Notes:</b> Floating Rate Notes will bear interest at a floating rate, as indicated in the Applicable Pricing Supplement;</p> <p><b>Equity Linked Interim Amount Notes:</b> interim payments in respect of Equity Linked Interim Amount Notes will be calculated by reference to such index and/or formula as may be indicated in the Applicable Pricing Supplement;</p> <p><b>Zero Coupon Notes:</b> Zero Coupon Notes will be offered and sold at a discount to their Nominal Amount or at par and will not bear interest other than in the case of late payment;</p> <p><b>Indexed Notes:</b> payments in respect of interest on Indexed Interest Notes or in respect of principal on Indexed Redemption Amount Notes will be calculated by reference to such index and/or formula as may be indicated in the Applicable Pricing Supplement;</p> <p><b>Mixed Rate Notes:</b> Mixed Rate Notes will bear interest over respective periods at the rates applicable for any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Indexed Notes, Equity Linked Interim Amount Notes or FX Linked Notes, each as specified in the Applicable Pricing Supplement;</p>

**Instalment Notes:** the Applicable Pricing Supplement in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed;

**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;

**Credit Linked Notes:** Notes issued subject to the condition that, upon the occurrence of a Credit Event, the Issuer may, subject to certain conditions, redeem the Notes by payment of money (in an amount equal to the Cash Settlement Amount) or, if so provided, by the Delivery of Deliverable Obligations comprising the Entitlement, as provided in Credit Linked Condition 1 (*Redemption Following the Occurrence of a Credit Event*). The Cash Settlement Amount or the value of the Deliverable Obligations comprising the Entitlement may be less than the Nominal Amount of the Notes, or zero;

**FX Linked Notes:** payments of principal and/or interest in respect of FX Linked Notes will be calculated by reference to one or more foreign exchange rates as set out in the Applicable Pricing Supplement. In certain circumstances, FX Linked Notes may be redeemed by Delivery of, or at a redemption amount calculated by reference to the fair market value of, selected FX Deliverable Obligations as set out in the Applicable Pricing Supplement;

**Equity Linked Notes:** payments of principal and/or interest in respect of Equity Linked Notes will be calculated by reference to a single equity security (each a Share), a basket of Shares, a single equity index (each an Equity Index) or a basket of Equity Indices. Equity Linked Notes may also provide for the option of the Issuer to vary settlement by physical delivery of a specified number of Shares of one or more companies and any relevant provisions will be set out 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.

**Payment  
Currency**

Subject to all Applicable Laws, such currency as specified in the Applicable Pricing Supplement.

**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, USD 1,000,000,000 (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 7.1 (*Scheduled Redemption*).

*Early Redemption at the option of the Issuer (Call Option)*: If the Call Option is specified as applicable in the Applicable Pricing Supplement, the Issuer may (having given not less than 15 (fifteen) and not more than 60 (sixty) days', or such other period as specified in the Applicable Pricing Supplement, notice to the Noteholders in accordance with Condition 13 (*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 7.3 (*Early Redemption at the option of the Issuer (Call Option)*).

*Early Redemption at the option of Noteholders of Notes (Put Option)*: If the Put Option is specified as applicable in the Applicable Pricing Supplement, the Noteholders of any such Tranche of Notes may, by delivering, amongst other things, a duly completed Put Notice in accordance with Condition 7.4 (*Early Redemption at the option of Noteholders (Put Option)*), require the Issuer to redeem such Tranche of Notes on the Optional Redemption Dates specified in the relevant Put Notice in the manner set out in, and in accordance with, Condition 7.4 (*Early Redemption at the option of Noteholders (Put Option)*).

*Early Redemption following the occurrence of a Tax Event and/or Increased Cost Event and/or Change in Law*: If so specified in the Applicable Pricing Supplement, the Issuer may redeem any Tranche of Notes at any time prior to the Maturity Date following the occurrence of a Tax Event and/or an Increased Cost Event and/or Change in Law as set out in Condition 7.2 (*Redemption following the occurrence of a Tax Event and/or Increased Cost Event and/or Change in Law*).

*Early Redemption following an Event of Default*: Upon the occurrence of an Event of Default and receipt by the Issuer of a written notice declaring Notes held by the relevant Noteholder to be forthwith due and payable in accordance with Condition 11 (*Events of Default*), such Notes shall become forthwith due and payable at the Early Redemption Amount in the manner set out in Condition 7.7 (*Early Redemption Amounts*), together with interest (if any) to the date of payment, in accordance with Condition 11 (*Events of Default*).

*Early Redemption following extraordinary events, corporate actions, index adjustment or cancellation or additional disruption events*: Share Linked Notes and Share Basket Linked Notes may be subject to early redemption or adjustment (including as to valuation and in certain circumstances Share substitutions) if certain corporate events (such as events affecting the value of a Share (including Share divisions or consolidations, extraordinary dividends and capital calls); delisting of a Share; insolvency, merger or nationalisation of a Share issuer; or a tender offer or redenomination of a Share) occur, if certain events (such as illegality, disruptions or cost increases) occur with respect to the Issuer's

or any of its Affiliates' or agent's hedging arrangements, or if insolvency filings are made with respect to a Share issuer. Equity Index Linked Notes and Equity Index Basket Linked Notes may be subject to early redemption or adjustment if an Equity Index is modified or cancelled and there is no successor index acceptable to the Calculation Agent, if the Equity Index's Sponsor fails to calculate and announce the Equity Index, or certain levels (such as illegality, disruptions or cost increases) occur with respect to the Issuer's or any of its Affiliates' or agent's hedging arrangements.

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. In certain circumstances Unwind Costs may be deducted.

<b>Risk Factors</b>	Investing in the Notes involves certain risks (see the section of this Programme Memorandum headed " <i>Risk Factors</i> ").
<b>Securities Transfer Tax</b>	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.
<b>Selling Restrictions</b>	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, the United Kingdom, the European Economic Area, South Africa and certain other jurisdictions (see section headed " <i>Subscription and Sale</i> "). Any other or additional restrictions which are applicable, and which may be required to be met in relation to an offering or sale of a particular Tranche of Notes will be included in the Applicable Pricing Supplement. Persons who come into possession of this Programme Memorandum and/or any Applicable Pricing Supplement must inform themselves about and observe all applicable selling restrictions.
<b>Status of Notes</b>	The Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer, all as described in Condition 5 ( <i>Status of Notes</i> ) and the Applicable Pricing Supplement.
<b>Taxation</b>	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 " <i>South African Taxation</i> ". 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.
<b>Terms and Conditions</b>	The Terms and Conditions of the Notes are set out in the section of this Programme Memorandum headed " <i>Terms and Conditions of the Notes</i> ".
<b>Withholding Tax</b>	As at the Programme Date all payments in respect of the Notes will be made without withholding or deduction for or on account of taxes levied in South Africa. In the event that certain withholding tax or such other deduction is required by Applicable Law, then the Issuer will, subject to



the Issuer's rights to redeem Notes following a Tax Event and/or Increased Cost Event and/or Change in Law pursuant to Condition 7.2 (*Redemption following the occurrence of a Tax Event and/or Increased Cost Event and/or Change in Law*) (and subject to certain exceptions as provided in Condition 9 (*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.

## FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached.

### **Bearer Notes**

Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the Applicable Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") will be deposited on or around the issue date of the relevant Tranche of the Notes with a depositary or a common depositary for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, S.A., Luxembourg ("**Clearstream, Luxembourg**") and/or any other relevant clearing system.

In the case of each Tranche of Bearer Notes, the relevant Pricing Supplement will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

#### *Temporary Global Note exchangeable for Permanent Global Note*

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Principal Paying Agent; and
- (ii) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership.

The principal amount of Notes represented by the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership **provided, however, that** in no circumstances shall the principal amount of Notes represented by the Permanent Global Note exceed the initial principal amount of Notes represented by the Temporary Global Note.

If:

- (a) the Permanent Global Note has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of the Temporary Global Note has requested exchange of an interest in the Temporary Global Note for an interest in a Permanent Global Note; or

- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer of the Temporary Global Note in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver a Permanent Global Note) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

The Permanent Global Note will become exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Bearer Notes in definitive form ("**Definitive Notes**") if either of the following events occurs:

- (i) Euroclear or Clearstream, Luxembourg have been closed for a continuing period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or
- (ii) any of the circumstances described in Condition 11 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note was originally issued in exchange for part only of a Temporary Global Note representing the Notes and such Temporary Global Note becomes void in accordance with its terms; or
- (c) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on the date on which such Temporary Global Note becomes void (in the case of (b) above) or at 5.00 p.m. (London time) on such due date ((c) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

#### ***Temporary Global Note exchangeable for Definitive Notes***

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in

the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Temporary Global Note for Definitive Notes; or
- (b) the Temporary Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Temporary Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Temporary Global Note on the due date for payment,

then the Temporary Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Note or others may have under the Deed of Covenant).

***Permanent Global Note exchangeable for Definitive Notes***

If the relevant Pricing Supplement specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes if either of the following events occurs:

- (i) Euroclear or Clearstream, Luxembourg have been closed for a continuing period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or
- (ii) any of the circumstances described in Condition 11 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the Pricing Supplement), in an aggregate principal amount equal to the principal amount of Notes represented by the Permanent Global Note

to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

If:

- (a) Definitive Notes have not been duly delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has requested exchange of the Permanent Global Note for Definitive Notes; or
- (b) the Permanent Global Note (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Permanent Global Note has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date ((b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under the Deed of Covenant).

### ***Rights under Deed of Covenant***

Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Note or a Permanent Global Note which becomes void will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Note or Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

### ***Terms and Conditions applicable to the Notes***

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "Terms and Conditions of the Notes" below and the provisions of the relevant Pricing Supplement which complete those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form.

### ***Legend concerning United States persons***

In the case of any Tranche of Bearer Notes having a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

### **Registered Notes**

Each Tranche of Registered Notes will be in the form of either individual Note Certificate in registered form ("**Individual Note Certificates**") or a global Note in registered form (a "**Global Registered Note Certificate**"), in each case as specified in the relevant Pricing Supplement. Each Global Registered Note Certificate will be deposited on or around the relevant issue date with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other

relevant clearing system and registered in the name of a nominee for such depository and will be exchangeable for Individual Note Certificates in accordance with its terms.

If the relevant Pricing Supplement specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be in the form of Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

If the relevant Pricing Supplement specifies the form of Notes as being "Global Registered Note Certificate exchangeable for Individual Note Certificates", then the Notes will initially be in the form of a Global Registered Note Certificate which will be exchangeable in whole, but not in part, for Individual Note Certificates if either of the following events occurs:

- (i) Euroclear or Clearstream, Luxembourg have been closed for a continuing period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available; or
- (ii) any of the circumstances described in Condition 11 (*Events of Default*) occurs.

Whenever the Global Registered Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Registered Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Registered Note Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Registered Note Certificate at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

If:

- (a) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after they are due to be issued and delivered in accordance with the terms of the Global Registered Note Certificate; or
- (b) any of the Notes represented by a Global Registered Note Certificate (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the holder of the Global Registered Note Certificate in accordance with the terms of the Global Registered Note Certificate on the due date for payment,

then the Global Registered Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the holder of the Global Registered Note Certificate will have no further rights thereunder (but without prejudice to the rights which the holder of the Global Registered Note Certificate or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Registered Note Certificate will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Registered Note Certificate became void, they had been the holders of Individual Note Certificates in an aggregate principal

amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Interests in a Global Registered Note Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Note Certificates without receipts, interest coupons or talons attached only in the limited circumstances.

Payments of principal, interest and any other amount in respect of the Global Registered Note Certificates will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 1 (*Interpretation and General Definitions*)) as the registered holder of the Global Registered Note Certificate. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Registered Note Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Individual Note Certificates will, in the absence or provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 14.5 (*Record Date*)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Global Registered Note Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Note Certificates without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Global Registered Note Certificate) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 (ten) days after the date of receipt of the first relevant notice by the Registrar. For these purposes, "**Exchange Event**" means that: (i) an Event of Default has occurred and is continuing; or (ii) the Issuer has been notified that both Euroclear and Clearstream Luxembourg have been closed for business for a continuous period of 14 (fourteen) days (other than by reason of holiday, statutory or otherwise) or have announced an intention to permanently cease business or have in fact done so.

#### ***Terms and Conditions applicable to the Notes***

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "Terms and Conditions of the Notes" below and the provisions of the relevant Pricing Supplement which complete those terms and conditions.

The terms and conditions applicable to any Global Registered Note Certificate will differ from those terms and conditions which would apply to the Note were it in individual form.

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

The information given below is as at the date of this Programme Memorandum. Capitalised terms used in this section headed "*Risk Factors*" 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.

## **INDEPENDENT REVIEW AND ADVICE**

Each purchaser of and investor in the Notes is fully responsible for making its own investment decisions as to whether the Notes (i) are fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and conditions, (ii) comply and are fully consistent with all investment policies, guidelines and restrictions applicable to it (or its beneficiary) and (iii) are a fit, proper and suitable investment for it (or its beneficiary).

Purchasers of and investors in Notes are deemed to have sufficient knowledge, experience and professional advice to make their own investment decisions, including, without limitation, their own legal, financial, tax, accounting, credit, regulatory and other business evaluation of the risks and merits of or associated with investments in the Notes. Purchasers of and investors in Notes should ensure that they fully understand the risks of or associated with investments of this nature which are intended to be sold only to sophisticated investors having such knowledge, appreciation and understanding.

Purchasers of and investors in Credit Linked Notes are solely responsible for making their own independent appraisal of, and investigation into, the business, financial condition, prospects, creditworthiness, status and affairs of any Reference Entity and its Obligations, Underlying Obligations, Underlying Obligors, Reference Obligations and Deliverable Obligations, as applicable.

Purchasers of and investors in Equity Linked Notes are solely responsible for making their own independent appraisal of, and investigation into, the business, financial condition, prospects, creditworthiness, status and affairs of any Share Company and its Shares.

Purchasers of and investors in FX Linked Notes are solely responsible for making their own independent appraisal of, and investigation into, the credit risk of the FX Deliverable Obligations



and the obligor(s) in respect of the FX Deliverable Obligations, including, but not limited to, general economic conditions, the condition of relevant financial markets, relevant political events and developments or trends in any relevant industries.

Purchasers of and investors in Credit Linked Notes, Equity Linked Notes or FX Linked Notes should be aware that none of the Programme Parties has any duty to conduct or accepts any responsibility for conducting or failing to conduct any investigation into the business, financial condition, prospects, creditworthiness, status and/or affairs of any Reference Entity and its Obligations, Underlying Obligations, Underlying Obligors, Reference Obligations, Deliverable Obligations, Share Company and its Shares or FX Deliverable Obligation as applicable.

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

## **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.*

The SB Group's business has significant holdings in South Africa, in particular through the Issuer and the Issuer's subsidiaries, with the majority of the Issuer's revenues derived from operations in South Africa.

Therefore, the Issuer's business and results of operations are primarily affected by economic and political conditions in South Africa and, as a result of their impact on the South African economy, global economic conditions.

### **Reliance on Creditworthiness of the Issuer**

The Notes comprise debt obligations of the Issuer and, consequently Noteholders are relying on the creditworthiness of the Issuer. The Notes will not be secured in any way, unless otherwise specified in the Applicable Pricing Supplement. In the case of Credit Linked Notes, this is in addition to relying on the creditworthiness of the Reference Entities referred to in the Applicable Pricing Supplement.

### **Conflict of Interest**

The Issuer is acting in a number of capacities. The Issuer will, unless otherwise specified in the Applicable Pricing Supplement, act as Calculation Agent, and will be responsible for determining whether a Credit Event has occurred in the case of Credit Linked Notes, calculating the payments to be made in respect of the Notes and determining the dates of such payments in accordance with the terms and conditions of the Notes. The Issuer may also deal in the Notes.

The Issuer may have business or other relationships with Reference Entities in respect of Credit Linked Notes and may (but shall not be obligated to) hold debt obligations (whether or not constituting Reference Obligations in respect to those Reference Entities) of, or otherwise have credit exposure to those Reference Entities. Nothing herein shall be deemed to restrict or impose any liability, duty or restriction on the Issuer, any of its affiliates or any of its officers or directors, in respect of dealing with or otherwise extending credit to or advising any such Reference Entity or any of its affiliates. Performance of the terms of any Note shall be determined without regard to any credit exposure or actual loss the Issuer or any other person may have incurred with respect to any such Reference Entity.

In respect of Equity Linked Notes, the Issuer or one or more of its Affiliates may from time to time engage in business with a Share Company, including among other things, extending loans to, or making investments in, or providing advisory services to it, including merger and acquisition advisory services, engaging in activities that may include financing transactions or entry into

derivative transactions. In the course of this business, the Issuer, the Calculation Agent and any of their respective affiliates may acquire non-public information about the Share Company or the relevant markets in which it operates and the Issuer, the Calculation Agent or any of their respective affiliates may publish research reports about them. This research may be modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding Equity Linked Notes. Such activities could present conflicts of interest, could influence the prices of the relevant Shares and the Equity Linked Notes and could adversely affect the value of such Notes.

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

The recent outbreak of the COVID-19 pandemic has adversely impacted the global economy, disrupted global supply chains, lowered equity market valuations, created significant volatility and disruption in financial markets, and increased unemployment levels. The COVID-19 pandemic has resulted in the temporary closure of many businesses, and the institution of physical distancing and country-wide lockdowns have impacted communities in countries across the globe, including in South Africa, where the Issuer generates a majority of its revenues, but also in many of the countries in which the SB Group operates. As a result, the demand for the SB Group's products and services has been impacted and may, in the future, be significantly affected by the ongoing impact of the COVID-19 pandemic.

On 31 March 2020, the SB Group published an announcement (the "**31 March 2020 Announcement**") on the Johannesburg Stock Exchange ("**JSE**") in which the SB Group announced that, due to the high degree of uncertainty regarding the impact of COVID-19 on SB Group's financial performance in 2020, it was withdrawing the outlook and guidance which had previously been given to shareholders on 5 March 2020 in the SB Group's announcement relating to its financial information for the year ended 31 December 2020. Furthermore, the SB Group published an announcement on the JSE on 22 April 2020 (the "**22 April 2020 Announcement**") in which the SB Group provided an update on its operational performance for the three months ended 31 March 2020. In the 22 April 2020 Announcement, the SB Group noted that while earnings attributable to ordinary shareholders were 27 per cent. lower than in the three-month period ended 31 March 2019, the SB Group remained well capitalised and liquid.

The COVID-19 pandemic could influence the recognition of credit losses in the SB Group's loan portfolios and result in increases in the SB Group's credit impairment charges, particularly as businesses remain closed and as more customers are expected to draw on their lines of credit or seek additional loans to help finance their businesses. Similarly, because of changing economic and market conditions affecting listed entities, the SB Group may be required to recognise other-than-temporary impairments in future periods on the securities it holds as well as reductions in other comprehensive income. In addition, in the 22 April 2020 Announcement, the SB Group noted that credit impairment charges for the three-month period ended 31 March 2020 were significantly higher than in the corresponding three-month period in 2019. This increase was driven by a deterioration in both the portfolio performance and the forward-looking assumptions used in the modelling of expected credit losses. IFRS 9 requires the SB Group to consider forward-looking information in the calculation of expected credit losses. Accordingly, the SB Group has estimated an increase in economic stress caused by the crisis and, where appropriate, incorporated that in the calculation of the SB Group's expected credit losses. As of 31 March 2020, the COVID-19 related stress on individuals and businesses had, to a large extent, not yet emerged and the provisions raised were based on the SB Group's estimate at the time.

The SB Group's business operations have been disrupted as a significant portion of its workforce is unable to work effectively, including because of illness, quarantine, government actions, working remotely or other restrictions in connection with the COVID-19 pandemic. The SB Group has fully suspended the operation of 39 per cent. of its branches in South Africa, with a further 19 per cent. offering partially suspended services (for example, being open only two days per week). The full or partial suspension of service branches has, in turn, impacted on the servicing of ATMs. Where branches remain open in South Africa, branch operating hours have been reduced in line with published regulations.

In response to the COVID-19 pandemic, the SB Group has extended extraordinary relief measures to certain small enterprise, individual and student customers in its Personal and Business Banking division, including repayment holidays for defined periods, initially for up to three months. The SB Group has also suspended residential property foreclosure sales, evictions, and involuntary vehicle repossessions, and is offering fee waivers, payment deferrals, and other expanded assistance for credit card, vehicle, mortgage, small business and personal lending customers.

The Prudential Authority ("PA") is supportive of COVID-19 related relief measures being extended by banks in South Africa. It has issued a number of directives to provide temporary relief to banks, branches of foreign institutions and controlling companies, including Directive D3/2020 dealing with matters related to the treatment of restructured credit exposures due to the COVID-19 pandemic (which must be read in conjunction with Directive D7/2015 on Restructured Exposures). Directive D3/2020 permits banks to classify certain qualifying loans that are being restructured due to COVID-19 related factors as "Covid-19 restructured loans". The classification impacts the risk weight assigned to the loan and thereby the calculations used by a bank in determining the relevant minimum required amount of capital and reserve funds to be held against the bank's credit risk exposure. It effectively means that for the duration of the crisis, loans restructured as a result of the impact of COVID-19 will not attract a higher capital charge. This amendment covers loans to households, small and medium-sized businesses and corporates, and for specialised lending.

On 1 June 2020, SB Group published an announcement on the JSE in which it provided a voluntary trading update and trading statement for the six-month period ending 20 June 2020 (the "**1 June 2020 Announcement**"). In the 1 June 2020 Announcement, the shareholders were advised that the outlook for the twelve-month period ending 31 December 2020 ("**FY20**") continues to deteriorate. It further indicated VAF that the toll of the lockdowns was starting to emerge. By 28 May, the Personal and Business Banking division ("**PBB**") had provided ZAR92 billion in relief to individuals, SMMEs and commercial clients in SA across 285 000 accounts and ZAR11 billion to predominantly commercial PBB clients in Africa Regions across 14 000 accounts. The Corporate & Investment Banking division ("**CIB**") had concluded restructures for eligible clients with risk exposures amounting to approximately R30 billion. At such time, the CIB requests had largely originated in South Africa. As regards the Issuer, the lockdowns negatively impacted sales, disbursements and transaction activity levels. In South Africa, in April deeds offices and dealerships were closed which halted mortgage disbursements and resulted in a more than 70% decline in disbursements compared to March. In addition, ATM and branch volumes were down 38% and 61% respectively. While there was an improvement in activity levels during the course of May, at the time of the 1 June 2020 Announcement, they remained below those seen prior to the lockdown. SB Group indicated that in line with the Prudential Authority's guidance on dividends, the group was not planning to declare an FY20 interim ordinary dividend. Shareholders were advised in the 1 June 2020 Announcement that SB Group's headline earnings per share ("**HEPS**") and earnings per share ("**EPS**") for the six-month period ending 30 June 2020 were expected to be more than 20% lower than the reported HEPS and EPS for the comparable period (1H19 HEPS: 837.4 cents, 1H19 EPS: 827.0 cents).

The SB Group published an announcement on the JSE on 29 July 2020 (the "**29 July 2020 Announcement**") in which the SB Group provided an additional operational update and trading

statement update for the six-month period ended 30 June 2020. In the 29 July 2020 Announcement, the SB Group indicated that despite considerable effort, the pandemic appeared to be gaining momentum in certain of the markets in which the group operates on the continent, particularly in South Africa. In June 2020, the SB Group continued to receive additional client relief requests, however the rate slowed month-on-month. Total relief provided by the SB Group to clients increased from May to June. In addition, the group continued to receive applications for funding under the South Africa Covid-19 SME Loan Guarantee Scheme. The 29 July 2020 Announcement, makes reference to the 1 June 2020 Announcement, noting that as indicated therein disbursements and transaction activity levels were negatively impacted by the lockdowns, in particular in April 2020. The 29 July 2020 Announcement noted that while activity levels did improve in May and June as lockdowns were eased, in most instances, activity remained below pre-lockdown levels. SB Group indicated that as 30 June 2020, the SB Group remained well capitalised and liquid. Further, shareholders were advised in the 29 July 2020 Announcement that SB Group's HEPS for 1H20 is expected to be between 30% and 50% lower than the reported HEPS for the six-month period ended 30 June 2019 ("**Comparative Period**"), translating into a decrease from the comparative period's HEPS of 837.4 cents per share to a range of between 586.2 and 418.7 cents per share.

On 20 August 2020, SB Group published an announcement on the JSE (the "**20 August 2020 Announcement**") in which the SB Group announced its results for the six months ended 30 June 2020. In the 20 August 2020 Announcement, the SB Group indicated that its banking operations' earnings were supported by strong balance sheet growth, robust trading revenues and well contained costs. Positive jaws of 100 bps supported pre-provision operating profit, which grew 4% period on period to ZAR24.3 billion. Credit impairment charges increased to ZAR11.3 billion, 2.7 times those reported in the prior period (1H19) and reflective of the tough environment and outlook. Consequently, banking operations reported headline earnings of ZAR7.7 billion, down 40% on 1H19, and a return on equity (ROE) of 9.5%. Group headline earnings were ZAR7.5 billion, a decline of 44% on 1H19, and ROE was 8.5%.

Further, the 20 August 2020 Announcement indicated that SB Group's capital position remained robust, with a common equity tier 1 capital adequacy ("**CET1**") ratio as at 30 June 2020 of 12.6%. Profit attributable to ordinary shareholders declined 71% to R3.8 billion. The difference between headline earnings and profit attributable can be ascribed to a R1.4 billion post-tax gain on the sale of the 20% stake in Industrial and Commercial Bank of China (Argentina) S.A. and its affiliates ("**ICBCA**"), the associated ZAR3.4 billion negative impact of the foreign currency translation reserve (FCTR) release on sale and ZAR1.9 billion related to the impairment of certain IT intangible assets. The gain on sale of the group's stake in ICBCA and the reserve impact are both outside of headline earnings and therefore did not impact group headline earnings. The release of the FCTR balance to earnings was a movement between reserves and therefore did not impact the net asset value of SB Group. In South Africa, the interrupted power supply extended the 4Q19 recession into 1Q20. Strict lockdowns brought the economy to a near-standstill. Prospects of a modest economic recovery in 2020 were replaced with expectations for a large decline (Standard Bank Research: South Africa's real GDP is forecast to decline 8.5% in 2020 followed by a 4.5% recovery in 2021). The poor economic outlook and declining inflation trend paved the way for cumulative interest rate cuts equating to 275 bps in the period. In addition, the South African government implemented a sizeable stimulus package to support those most vulnerable. Whilst necessary, the additional spending poses a material risk to the public debt trajectory. Fiscal diligence and urgent structural reforms are more important than ever. In line with the South African Reserve Bank's guidance, the board of SB Group has not declared an interim dividend. Any investment decisions by prospective investors should be based on the full announcement released on SENS; or available at <https://senspdf.jse.co.za/documents/2020/jse/isse/SBK/SBG1H20.pdf>; or <http://www.standardbank.com/reporting>. The *pro forma* financial information and 1H20 results, including comparatives for 1H19 where applicable, and forward-looking information has not been audited or independently reviewed by SB Group's external auditors.

The full extent to which the COVID-19 pandemic impacts the SB Group's business, financial condition and results of operations, as well as its regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the COVID-19 pandemic and the impact of actions taken by regulators, governmental authorities and other third parties in response to the COVID-19 pandemic.

### **Global economic conditions**

A material deterioration in global economic conditions is likely to have a negative impact on macroeconomic conditions in South Africa. Negative changes in global economic conditions may result in lower customer demand, including lower demand for borrowing from creditworthy customers, and/or a reduction in the value of related collateral and/or an increase of the Issuer's default rates, delinquencies, write-offs, and impairment charges, which in turn could adversely affect the Issuer's performance and prospects. Deteriorating economic conditions could also impact the ability of the Issuer to raise funding from external investors. The South African economy is exposed to the global economy through the current and capital accounts of the balance of payments. South Africa's exports are impacted by economic activity of some of the world's largest economies including China, the U.S. and Europe. Commodity prices and the Rand exchange rate also have a material impact on South African exports. The South African economy is also reliant on foreign capital flows into the country and has been a recipient of foreign capital through the domestic bond and equity markets over the last few years. The COVID-19 pandemic has had a material impact on the global economy, as well as on the economies of South Africa and of the other countries in sub-Saharan Africa where SB Group has operations (which it refers to as "**Africa Regions**"). The COVID-19 pandemic has already had a significant adverse impact on global supply chains, tourism revenues, commodity prices, capital flows and demand, and financial markets.

Economic observers such as the International Monetary Fund have predicted that the COVID-19 pandemic will result in a global recession in 2020 which is likely to be more significant than the one experienced during the financial crisis of 2009. It is also likely that more countries will experience a recession than in the 2009 global financial crisis. The extent of a global recession will likely be determined by the speed with which the COVID-19 pandemic can be arrested. Monetary and fiscal policy is likely to be eased, internationally, in an effort to stimulate the global economy; however the scope for monetary policy easing is relatively constrained as most developed economies operate at very low (or even negative) interest rate, while the effectiveness of fiscal policy easing is also relatively limited, as high and rising indebtedness internationally could impair economic growth. The effects of a global recession may impact a significant number of the Issuer's customers, and lead to increased unemployment and a decrease in disposable income and consumer spending. Such conditions could have a material adverse effect on the Issuer's business, financial condition and results of operations.

### **South African economic conditions**

Factors such as subdued economic growth, inflation, interest rates, foreign exchange rates and currency controls and rising unemployment could affect an investment in the Notes, and in a manner that may be difficult to predict.

The South African economy entered into a recession during the final two fiscal quarters of 2019, when gross domestic product ("**GDP**") contracted by 1.4 per cent. in the fourth fiscal quarter of 2019 (relative to the third fiscal quarter of 2019, which itself saw a contraction of GDP by 0.8 per cent. relative to the second fiscal quarter of 2019). This was largely attributable to continued Eskom electricity supply shortages. GDP growth was relatively subdued in 2019 and averaged 0.2 per cent., compared to 0.8 per cent. in 2018 and has grown at a slower rate than population growth for the past

five consecutive years. Prior to the outbreak of the COVID-19 pandemic in January 2020, the South African economy had shown signs of weakness and had been in a period of declining economic activity since December 2013. The South African Reserve Bank ("SARB") expects GDP to contract by 0.2 per cent. in 2020, although there remain significant and continuing recessionary risks amidst the ongoing COVID-19 pandemic and its impact on global financial markets, especially with forecasts of global (and, in particular, Chinese) economic growth being revised downward.

The Rand has depreciated significantly since 2018 on account of the increasing strength of the U.S. dollar, investor concerns regarding South African economic prospects and global risk aversion on account of the COVID-19 pandemic. Further, the downgrade of South Africa's sovereign credit rating by each of Moody's Investor Services Cyprus Ltd., Fitch Ratings Limited and S&P Global Ratings to sub-investment grade in March and April 2020 saw South Africa excluded from the World Government Bond Index ("WGBI"), triggering investors who were mandated to invest in investment grade countries to sell South African assets. South Africa's 10-year sovereign bond yield reached 11.82 per cent. in March 2020 (an increase from 9 per cent. in January 2020), as a result of forced selling and heightened investor concerns about South Africa's fiscal outlook. The JSE All Share Index decreased by 33 per cent. since January 2020, with non-residents having sold R44.96 billion of South African bonds and R30.04 billion of equities since the beginning of 2020. The capital outflows expected in response to the exclusion of South Africa from the WGBI will likely prove disruptive against the backdrop of uncertain global financial markets.

Investors' expectations for growth and fiscal policy interventions will likely be a key driver of the medium-term Rand trajectory; the Rand will be vulnerable if the fiscal trajectory is not sustainable when the global economy rebounds.

No assurance can be given that the Issuer would be able to sustain its current performance levels if the current South African macroeconomic conditions were to persist or materially worsen from levels at the date of this Programme Memorandum.

### **South African political conditions**

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

In 2020, the South African political outlook will likely be dominated by economic concerns and the need for the Government to undertake structural macroeconomic reforms that are required to stabilise the fiscal outlook in South Africa and to remedy chronic operational and financial weaknesses across several core state-owned entities ("SOEs"), particularly Eskom. In January 2020, Eskom CEO André de Ruyter announced that planned electricity cuts would continue for the next 18-24 months, as Eskom embarked on deferred maintenance programmes. Despite being disruptive to economic activity, particularly on the manufacturing sector, Eskom's maintenance programmes are necessary for the future stability of the power supply.

These pressures will likely be compounded by the extraordinary effects of the COVID-19 pandemic, which is expected to significantly restrict global and South Africa GDP growth. Protracted economic weaknesses and the unwillingness of the Government to push for bold action to restructure chronically underperforming SOEs may weaken President Ramaphosa's public popularity, and support the development of more radical and populist alternatives to the current administration in the next local government elections (scheduled to be held in 2021), the next ANC national elections (scheduled to be held in 2022), and the next national and provincial elections (scheduled to be held in 2024).

In addition, although President Ramaphosa has strengthened his support base within the African National Congress ("ANC") over the past year, there remain substantial divisions within the ANC which threaten to compromise his economic and structural reform plans. Several internal ANC elections are scheduled to be held in 2020, the outcomes of which could either strengthen President Ramaphosa's position or offer an opportunity to his political opponents within the ANC to regroup. The performance of various Anti-Corruption Task Team institutions, in particular the National Prosecuting Authority ("NPA"), will continue to be of importance, particularly in light of the Government's commitment to hold accountable those responsible for corruption and 'state capture' during the tenure of former President Zuma.

Political instability, including the inability of the Government to implement the necessary structural reforms, may have an adverse impact on the South African economy and could have an adverse effect on the Issuer, its business, financial condition and results of operations.

### **South African conditions specific to the banking sector**

The South African banking sector is widely regarded as one of the country's key pillars of economic strength. The banking sector is, however, highly exposed to South Africa's deteriorating macroeconomic conditions and will be impacted by the COVID-19 pandemic. With the SARB's forecast of a contraction of GDP in 2020, domestic macroeconomic conditions are likely to be less supportive of the domestic banking sector. Household disposable incomes are decreasing as a result of existing subdued economic growth and elevated levels of unemployment. Interest rate cuts as part of monetary policy easing may also affect banks' profitability.

### **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 need to be assessed in comparison to jurisdictions elsewhere. These include political, social and economic risks specific to South Africa, such as general economic volatility, recession, inflationary pressure, exchange rate risks and exchange controls, which could affect an investment in the Notes. The existence of such factors may have an impact on South Africa and the results of the Issuer in ways that cannot be predicted. Other key risks the South African economy faces are contracting demand from developed economies, lower commodity prices and a reduction in local demand as a result of higher utility prices and indirect taxes.

### **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.

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.

## **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.

### **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 other technology companies, including "bigtech", 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.

### *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.

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 annual credit risk type scenario and sensitivity stress testing on its portfolios to assess the impact on the Issuer's risk profile and to inform changes to forward-looking risk appetite and strategy.

The SB Group continues to apply appropriate and responsible lending criteria and to manage credit risk by maintaining a culture of responsible lending and a robust risk policy and control framework, in line with anticipated economic conditions and forward-looking risk appetite. Despite this, if macroeconomic conditions in South Africa continue to remain uncertain and demand for credit remains lacklustre, the level of the Issuer's non-performing loans and credit impairments may increase. This, in turn, could have an adverse effect on the Issuer's financial condition or results of operations.

### *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 SB Group's credit portfolio also contains concentration risk of exposure to respective governments in the regions in which it operates, through prudential requirements and direct lending. The SB Group manages this exposure within a clearly defined risk appetite framework and also stress tests portfolios against weaknesses and sovereign downgrades.

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 sovereign downgrades.

The Issuer continues to hold the largest market share (33.76 per cent.) in the South African residential mortgage loan advances to the household sector market (Source: SARB BA900 regulatory return, January 2020), and these exposures represent a credit concentration in the Issuer's portfolio. The Issuer manages this exposure within a clearly defined risk appetite framework, which includes portfolio limits. The Issuer also regularly stress tests the portfolio against various weaknesses in the economy, such as the recent sovereign rating downgrade, which could negatively affect 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 SB Group's key market risks are trading book market risk, interest rate risk in the banking book, equity risk in the banking book, foreign currency risk, own equity-linked transactions and post-employment obligation risk.

Trading book market risk is represented by financial instruments, including commodities, held in the various entities in the SB Group'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 SBG's net assets in foreign operations, intragroup foreign-denominated debt and foreign-denominated cash exposures and accruals.

The Issuer has exposure to changes in SBG's share price arising from the equity-linked remuneration contractual commitments and post-employment obligation risk through the requirement to contribute as an employer to an underfunded defined benefit plan.

#### *Liquidity and Funding 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 translate into institutional funding for the banking system that comprises wholesale funding from financial institutions across a range of deposits, loans and financial instruments. These deposits have a different liquidity profile to retail deposits. As a result, the Issuer, along with other banks in South Africa, has a higher reliance on wholesale funding than retail deposits. As at 31 December 2019, retail deposits comprised 22 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 and entered into on a contractual basis. Wholesale funding is more expensive than retail deposits, and is sourced from a small number of depositors, principally, fund managers. As at 31 December 2019, 83 per cent. of the Issuer's deposits and debt funding had a contractual maturity date of 12 months or less or were repayable on demand. As at 31 December 2019, the Issuer's largest single depositor accounted for 2.6 per cent. of total deposits and the top 10 depositors accounted for 9.6 per cent. of total deposits, well within the Issuer's risk appetite of 10 per cent. and 20 per cent. respectively.

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 may 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.

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

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

As of the date of this Programme Memorandum, the Issuer's short and long-term foreign currency deposit rating was assessed by Moody's Investors Service Cyprus Ltd. ("**Moody's**") as NP and Ba1, respectively, with a negative outlook and the Issuer's short and long-term foreign currency issuer

default rating was assessed by Fitch Ratings Limited ("**Fitch**") as B and BB, respectively, with a negative outlook.

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. In March 2020, the Issuer's credit rating was downgraded to Ba1 from Baa3 with a negative outlook by Moody's, as the Issuer's rating is constrained by its sizeable exposure to government securities, which effectively links its creditworthiness to that of the national government. The negative outlook also reflects potential pressures on the Issuer's asset quality and profitability, as a result of the weakening operating environment. In March 2020, the Issuer's credit rating was downgraded to BB from BB+ with a negative outlook by Fitch, driven by the expected negative impact from the COVID-19 pandemic on banks' operating environment and key financial metrics. Fitch expects South African banks to face multiple challenges in the near term, including a decline in client activity, lower interest rates (which will put pressure on margins) and rising credit losses. These factors will increase risks to banks' earnings, asset quality and capitalisation. Further 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. The Issuer continues to proactively plan for the potential implications of further South African sovereign credit rating agency downgrades for both local and foreign currency which could still have a significant impact on the Issuer's access to, and cost of foreign currency liquidity sources.

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

### **The Issuer is subject to capital and liquidity requirements that could affect its operations**

The Issuer is subject to capital adequacy requirements specified by the SARB, which provide for a minimum common equity tier 1 ("**CET 1**"), tier 1 and total capital adequacy ratio. The amended Regulations Relating to Banks (as further amended on 20 May 2016) (as defined below) effective 1 January 2013 are based on the Basel III framework ("**Basel III**") introduced by the Basel Committee on Banking Supervision ("**BCBS**") and provide the minimum risk based capital ratios. The SARB adopted the Basel III framework, subject to certain phase-in provisions as provided by the BCBS from 1 January 2013. From 1 January 2019 the requirements that were subject to phase-in provisions have been fully implemented. The minimum CET 1, Tier 1 and Total capital adequacy ratios for 2019 are 8.50 per cent, 10.75 per cent and 14.00 per cent respectively. These minimum ratios exclude the countercyclical buffer and confidential bank-specific pillar 2b capital requirement but include the maximum potential domestic systemically important bank requirement ("**D-SIB**"), which is also bank-specific and therefore confidential. For these purposes, "**Regulations Relating to Banks**" means 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.

In response to pressures on banks' capital supply brought about by the COVID-19 pandemic, the PA has implemented measures under Directive D2/2020, issued in terms of section 6(6) of the Banks Act to reduce the currently specified minimum requirement of capital and reserve funds to be maintained by banks, in order to provide temporary capital relief to enable banks to counter economic risks to individual banks as well the financial system as a whole. The Basel III capital buffers continue to make it more challenging for banks and bank holding companies to comply with minimum capital ratios. Failure by the Issuer to meet certain of these buffers, for example the capital

conservation and 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 became 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 BCBS member country, was required to meet the fully compliant Basel III LCR framework of 100 per cent. in 2019. The Issuer reported an LCR of 124.4 per cent as at 31 December 2019 based on a simple average of 92 days of daily observations over the quarter ended 31 December 2019, exceeding the SARB's minimum requirement of 100 per cent.

The PA is cognisant that market liquidity in South Africa has decreased due to the current financial market turmoil resulting from the COVID-19 pandemic and as a result, banks are under increased pressure to comply with the currently prescribed LCR requirements. This has been primarily driven by risk-averse depositors moving out of term funding and into short-term funding as well as large portions of unencumbered high-quality liquid assets held by banks decreasing in value due to negative mark-to-market adjustments caused by increases in the yields of the underlying instruments.

The PA views the current financial market turmoil as a period of financial stress and has deemed it appropriate to temporarily amend the required level specified for banks' compliance with the LCR. Under Directive D1/2020, issued in terms of section 6(6) of the Banks Act, the SARB's minimum requirement of 100 per cent for LCR has been reduced to 80 per cent with effect from 1 April 2020 until such time as the PA directs in writing that it is of the view that the financial markets have normalised. The Directive is aimed at providing temporary liquidity relief during this time to banks, branches of foreign institutions and controlling companies, in line with the intention of the Basel III LCR framework.

The SARB has approved the 2019/2020 committed liquidity facility ("**CLF**") at a reduced value compared to the CLF for 2018. The decrease in the CLF was driven by the PA Guidance Note 5/2019 containing revised guidelines and conditions relating to the continued provision of the CLF thereby signalling the SARB's intention to gradually phase out the CLF by 1 December 2021.

The Issuer successfully managed its balance sheet structures and maintained NSFR compliance for 2019, with SBSA reporting a NSFR of 108.8 per cent as at 31 December 2019 in excess of the 100.0 per cent regulatory requirement, as well as specified internal risk appetite requirements.

Failure by the Issuer to meet the minimum liquidity standards for funding liquidity (LCR and NSFR), could limit the bank's ability to support planned lending activities, and any failure by the Issuer to maintain their liquidity ratios may result in the enforcement and execution of the contingent funding plan.

### *Business Risk*

Business risk includes strategic risk. Strategic risk is the risk that the SB Group's future business plans and strategies may be inadequate to prevent financial loss or protect the SB Group's competitive position and shareholder returns.

Business risk is usually caused by the following:

- a poor choice of strategy in the form of products offered, market segments targeted, channels being operated and cost structures adopted;
- external factors such as pressures from unexpected economic and/or technological changes, decreased demand, increased competition or increases in costs; and/or
- group-specific causes, such as the decision to absorb costs or losses to preserve reputation and operational efficiency.

The SB Group's business plans and strategies are discussed and approved by executive management and the board and, where appropriate, subjected to stress tests. Failure to effectively manage business risk could have materially adverse effect on the SB Group's business, financial condition and/or results of operations.

#### *Reputational risk*

Reputation is defined as what stakeholders say and think about the SB Group, including its staff, customers and clients, investors, counterparties, regulators, policymakers, and society at large. Analysts, journalists, academics and opinion leaders also determine the SB Group's reputation. The SB Group's reputation can be harmed from an actual or perceived failure to fulfil the expectations of stakeholders due to a specific incident or from repeated breaches of trust.

Reputational harm can adversely affect the SB Group's ability to maintain existing business, generate new business relationships, access capital, enter new markets, and secure regulatory licences and approvals.

#### *Operational Risk*

The SB Group recognises that operational risk exists in the natural course of business activity and the Issuer adheres to the SB Group's operational risk governance framework, which sets out the minimum standards for operational risk management adopted across the SB Group. This framework aligns to the SB Group's strategy by demonstrating that the purpose of operational risk management is not to eliminate all risks, which is not economically viable, but rather to enable management to assess the relative benefit of risk and reward. The framework also ensures that adequate and consistent governance is in place, guiding management to avoid unacceptable risks such as:

- (i) inadequate or failed internal processes, 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 SB Group'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.

#### *Fraud*

The Issuer faces the risk of regulatory sanctions and reputational damage and financial losses due to fraud, crime and misconduct from staff or syndicates. Card fraud remains the highest contributor to fraud losses suffered by the Bank. This is mainly driven by the increasing e-commerce usage and the fast growth in internet penetration and smartphone use that requires bank cards to fulfil a transaction.

The Issuer has identified illegal activities such as market abuse, market manipulation, rogue trading and increasing trends of syndicate fraud with potential staff involvement, as a result of the recent economic downturns, as factors which could also have an adverse effect on the operations of the Issuer. The Issuer continues to monitor for market abuse, market manipulation, rogue trading and trends of syndicate or collusive behaviour where staff may be complicit during economic downturns, as these activities may result in financial losses.

### *Cyber-crime*

The Issuer's operations are largely 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. In response to the growing volume and sophistication of cyber-crime incidents and attacks, the Issuer has developed an IT cyber security strategy which is centred around the four key pillars of governance, culture, capability and community, all of which are crucial for an effective cyber defence strategy.

The Issuer is cognisant of the mounting risk posed by cyber-crime. Financial services remain the most targeted economic sector from a cyber-threat perspective. The key sources of concern include the escalating sophistication of threats, increased volume of cyber-attacks in the world at large, and an ever-expanding cyber-attack surface. These sources require a continuous improvement in the Issuer's controls to detect, react to and monitor cyber-attacks to ensure appropriate response and remediation. A successful cyber-attack could result in material losses of client or customer information, sabotage and/or damage of computer systems, reputational damage and may lead to regulatory penalties or financial losses.

The Issuer's business is subject to its ability to quickly adapt to disruptions while maintaining continuous business 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 may suffer a failure or interruption in or breach of its information technology systems**

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

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

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

**The Issuer may suffer reputational or financial damage as a result of misconduct by third parties.**

The Issuer outsources certain services to third-party service providers. The Issuer faces a risk of loss or disruption to its services due to ineffective management of third-party relationships, and misconduct, such as participation in financial crimes, by third and fourth parties.

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

An inability to recruit, retain and motivate key personnel would negatively affect the ability of the Issuer's to adequately and efficiently serve clients, support operations and deliver its business strategy. This risk is driven by, inter alia, a multi-generation workforce (which is characterised by, for example, having divergent career aspirations and differing levels of technical competency) and a rise in digitisation and automation, which calls for a different set of skills. 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.

**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.

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

The Issuer is subject to the laws, regulations, administrative actions and policies of South Africa and each other jurisdiction in which it operates, and the Issuer's activities may be constrained by applicable legal and regulatory requirements. Changes in regulation and supervision, particularly in South Africa, could materially affect the Issuer's business, the products or services offered, the value of its assets and its financial condition. Although the Issuer works closely with its regulators and continuously monitors the situation, future changes in regulation, fiscal or other policies cannot be predicted and are beyond the control of the Issuer. The Issuer may incur reputational damage and financial losses if it is unable to anticipate or prepare for future changes to law or regulation.

**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 and anti-terrorism laws in South Africa. The Financial Intelligence Centre Act, 2001 (as amended by the Financial Intelligence Centre Amendment Act, 2017) and the Money Laundering and Terrorist Financing Regulations (published in Government Gazette 1595 on 20 December 2002, as amended) require the Issuer, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and unusual transactions to the applicable regulatory authorities – see the section titled "*Description of The Standard Bank of South Africa Limited – Regulation – Anti-money laundering regulatory requirements*" on page 313. Additionally, regulators across Africa require financial institutions to adopt risk-based approaches to managing risks associated with money laundering and the financing of terrorism. Regulators expect financial institutions to conduct due diligence processes, technologically driven transaction surveillance and reporting mechanisms in countries in which the SB Group operates. While the Issuer has adopted policies and procedures aimed at detecting and preventing the use of its banking network for money laundering and terrorist financing activity, such policies and procedures may not completely eliminate instances in which the Issuer may be used by other parties to engage in money laundering or other illegal or improper activities. To the extent that the Issuer may fail to fully comply with applicable laws and regulations, various regulatory authorities to which it reports have the authority to impose fines and other penalties. In addition, the Issuer could suffer reputational harm if clients are found to have used it for money laundering or illegal purposes.

### **Risk relating to Emerging Markets**

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

Economic and financial market volatility in South Africa has been caused by many different factors. Due to its liquidity and use as a proxy for emerging market trades, the 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:

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



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

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

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

## **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. In particular, any change in regulation to increase the requirements for capital adequacy or liquidity, or a change in accounting standards, could have a material adverse impact on the Issuer's business, results, financial condition or prospects.

A parliamentary committee has been set up to investigate Section 25 of the Constitution on expropriating property. Public hearings to discuss the proposals were held in 2019 and amendments to the Constitution have been released for comment. In addition, amendments to the Expropriation Act are being debated in Parliament. This investigation, together with slow progress on the legislation necessary for land reform programmes, is likely to create an uncertain policy environment for land reform in the short term for the financial sector.

Consumer credit regulation has been tightened to provide stronger consumer protection under the National Credit Act, 2005 (the "**National Credit Act**"), and includes Affordability Assessment Regulations for unsecured loans (2015), and the Review of Fees and Interest Rates (2016), which capped consumer credit interest rates, administration fees and initiation fees. Additional amendments to the NCA were enacted in 2019. These include increased powers of enforcement of the regulator, and additional mechanisms to assist vulnerable, over-indebted customers, and, *inter alia*, to provide for debt intervention for low income earners within South Africa (earning less or equal to R7500). The combined impact of these reforms may increase the cost of credit for consumers as well as restrict access to credit from formal credit providers for the lower income market, which may negatively impact demand for products and services provided by the Issuer.

The Government issued a policy paper on 1 February 2013 titled "Implementing a twin peaks model of financial regulation in South Africa", which followed the original policy paper issued on 23 February 2011, "A Safer Financial Sector to Serve South Africa Better". These documents enunciated Government's strategic regulatory objectives. The documents identified four policy priorities to reform the financial sector, namely: financial stability; consumer protection and market conduct; expanding access of financial services through inclusion; and combating financial crime.

The "twin-peaks" approach to financial sector regulation is primarily aimed at the enhancement of systemic stability, improving market conduct regulation, sound micro- and macro prudential regulation and the strengthening of the operational independence, governance and accountability of

regulators. The perimeters of regulation will continue to be expanded to cover all sources of systemic risk, the regulation of all private pools of capital (for example, hedge funds and over-the-counter derivatives) and unregulated financial activities such as the functioning of credit rating agencies (now regulated by the Credit Rating Services Act, 2012).

The Financial Sector Regulation Act, 2017 ("**FSR Act**") which was signed into law on 21 August 2017 and which commenced (with the exception of a couple of transitional periods) on 1 April 2018, was the first in a series of bills that gave effect to the Government's decision to implement the "twin-peaks" model of financial regulation with a view to ensuring that the sector is safer and more effective. The FSR Act reflects the Government's undertaking to eliminate lending malpractices, protect customers and reduce systemic risk through increased market conduct regulation. The FSR Act established two financial sector regulators, namely the Financial Sector Conduct Authority ("**FSCA**"), which regulates market conduct with a purview over the full range of financial services related matters (such as the regulation of bank charges) and the PA which is responsible for the oversight of the safety and soundness of banks, insurers and financial conglomerates. The FSCA is mandated to protect customers of financial services, improve the way in which financial service providers conduct their business, ensure that the integrity and efficiency of the financial markets is maintained, and promote effective financial consumer education.

In response to the COVID-19 pandemic, the South African Government declared a national state of disaster under the Disaster Management Act, 2002 on 15 March 2020. It has implemented a number of measures to contain the spread, and mitigate the impact, of COVID-19 in South Africa. The South African Government has implemented a risk-adjusted phased lockdown approach comprising five alert levels which are determined with reference to the risk and infection rate nationally, and in each province, district and metropolitan area. Each alert level denotes the level of requisite action and restrictions needed to contain the spread of COVID-19. South Africa commenced with the highest alert level - alert level 5 - of the lockdown approach at midnight on 26 March 2020 which restricted the movement of all persons in South Africa other than for purposes of essential services. With effect from 1 May 2020, alert level 4 was in effect which permitted a limited level of economic activity and the easing of some restrictions on movement.

Lockdown restrictions were eased further on 1 June to alert level 3 which allowed most businesses to re-open; 8 million people were allowed to return to work. Restaurants were still limited to offering only take-outs. Several services were still prohibited during level 3. Air travel was permitted from four main airports albeit for business travel. Adjustments to alert level 3 were announced mid-July and came on the back of citizens ignoring regulations implemented by government to combat the spread of coronavirus. Alcohol sales were banned again. A curfew has been re-introduced. The National State of Disaster was extended from 15 August 2020 to 15 September 2020, albeit with the further easing of lockdown restrictions to alert level 2. Level 2 should be modestly positive for SA tourism which has been hamstrung by both domestic and international travel restrictions.

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

- (i) reducing the minimum liquidity cover ratio of banks from 100 per cent. to 80 per cent. with effect from 1 April 2020 to such time as the PA directs in writing when it is of the view that

financial markets have normalised and subject to any appropriate phase-in arrangements specified by the PA in writing to restore the minimum liquidity cover ratio to 100 per cent. (Directive D1/2020 issued in terms of section 6(6) of the Banks Act);

- (ii) reducing the currently specified minimum requirement of capital and reserve funds (including Pillar 2A and capital conservation buffers) to be maintained by banks, in order to provide temporary capital relief to enable banks to counter economic risks to the financial system as a whole and to individual banks (Directive D2/2020 issued in terms of section 6(6) of the Banks Act); and
- (iii) supporting COVID-19 relief initiatives, such as payment holidays offered by banks in order to provide relief to certain borrowers in the retail and corporate sector, by providing temporary relief on the minimum capital requirements for banks relating to credit risk during this stress period. These measures are effected through an amendment to existing Directive 7 of 2015 and are intended to provide relief to banks by enabling banks to continue to extend credit to the real economy without the need for higher capital requirements. It is the PA's intention to reinstate the requirements of Directive 7 of 2015 in full, but subject to any transitional arrangements that may apply, after the impact of COVID-19 has subsided and economic conditions have normalised (Directive D3/2020 issued in terms of section 6(6) of the Banks Act).

In addition to the abovementioned directives, the PA published a Guidance Note recommending that banks do not make any distributions of dividends on ordinary shares and payment of any cash bonuses to executive officers and material risk takers during this period of uncertainty so as to facilitate banks preserving capital resources to absorb losses that may result from an economic downturn.

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

### **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.

### **RISKS RELATING TO THE NOTES**

In addition, the introduction of exchange controls, or changes to existing exchange control regulations, in the Africa Regions may impact SB Group's operations in the relevant country in which the SB Group operates, which may in turn adversely affect the SB Group's business, financial condition or results of operations.

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

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

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

## **Limited Liquidity**

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

## **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.

## **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 Luxembourg Stock Exchange's Euro MTF or any other listing authority, stock exchange or quotation system may be de-listed. Although no assurance is made as to the liquidity of the Notes as a result of listing on the Euro MTF 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 reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

### *Equity Linked, Index Linked and FX Linked Notes*

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

Please also see the risk factors headed “Credit Linked Notes” on pages 50 – 52, “Equity Linked Notes” on pages 52 – 55 and “FX Linked Notes” on pages 55 – 58.

#### *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.

#### *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 England and Wales. No assurance can be given as to the impact of any possible judicial decision or change to the laws of England and Wales after the Programme Date.

#### **Exchange rate risks**

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

## U.S Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly known as 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 two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register.

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 US source income have provided the Participating FFI with the necessary documentation, and are not deemed to be recalcitrant or non-participating FFI's, 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 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 has been given force and effect in South African Tax Law, 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. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Notes are discharged once it has paid the common depository for the ICSDs (as bearer/registered holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries and will not gross up for any withholding for or on account of FATCA.

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

## Emerging market currencies

Where the Notes are denominated in an emerging market currency, have an emerging market currency as the Payment Currency (as defined in the Applicable Pricing Supplement) in which that Issuer will pay principal and interest on the Notes, or are linked to one or more emerging market currencies, the value of such Notes may be significantly more volatile and subject to less certainty as to future rates than if the Notes were linked to currencies of more developed markets. For example, emerging markets' currencies are highly exposed to the risk of a currency crisis happening in the future.

In particular, policies or actions of the governments of the jurisdictions of the Subject Currencies and Base Currencies (the "**Currency Jurisdictions**") could adversely affect the relevant exchange rate(s) (such as through market interventions of their central banks or equivalent bodies; governmental action which changes or interferes with currency valuations or currency fluctuations that would otherwise occur in response to economic forces; and restrictions on foreign investment and currency convertibility or movement across borders). Non-governmental action may also directly or indirectly adversely affect the relevant exchange rates (such as through speculation, weak overall growth and performance of each applicable Currency Jurisdiction's economy and stock exchanges; political, economic and social uncertainty, including risks of nationalisation and expropriation of assets and natural disasters; or wars which affect any Currency Jurisdiction directly or indirectly). In addition, the policies or actions of the governments of the jurisdictions of a Payment Currency or non-governmental action could adversely affect the Issuer's ability to make payments of principal and interest on the Notes including preventing any payment of principal and interest.

Investors should note that the risk of occurrence and the severity of consequence of the matters described above may be greater with respect to any emerging market jurisdiction than they otherwise would be in relation to more developed countries. Economies in emerging markets are generally more heavily dependent upon international trade, and accordingly, may be affected adversely by trade barriers, foreign exchange controls (including taxes), managed adjustments in relative currency values and other protectionist measures imposed or negotiated with countries with which they trade.

The occurrence of any of the above circumstances may have an adverse effect on the value of the Notes and amounts due or assets deliverable, or the date for payment thereunder.

### **Regulation and reform of "benchmarks", including LIBOR, EURIBOR, and STIBOR and other interest rate, equity, commodity, foreign exchange rate and other types of benchmarks may adversely affect the value of Notes linked to or referencing such "benchmarks"**

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

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

The IOSCO Benchmark Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering governance and accountability as well as the quality and transparency of benchmark design and methodologies. Subsequent



implementation reviews have found that widespread efforts are being made to implement the IOSCO Benchmark Principles by the majority of administrators surveyed. However, the reviews also note that, as the "benchmarks industry" is in a state of flux, IOSCO may need to take further steps in the future - although it is not yet clear what these steps might be. On 16 December 2016, IOSCO published a report setting out guidance to improve the consistency and quality of reporting on compliance with IOSCO Benchmark Principles.

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

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

In addition, if, amongst other things, (1) an Administrator/Benchmark Event occurs or (2) (a) it is or would be unlawful at any time under any applicable law or regulation or (b) it would contravene any applicable licensing requirements, in each case, for the Calculation Agent to determine a Relevant Benchmark or make any other determination in respect of the Notes which it would be otherwise obliged to do so under the Terms and Conditions of the Notes, then, the Notes may be redeemed prior to maturity. An Administrator/Benchmark Event may arise if any of the following circumstances occurs or may occur: (i) the relevant authorisation, registration, recognition, endorsement, equivalence decision or approval in respect of the benchmark or the administrator or sponsor of the benchmark is not obtained; (ii) an application for authorisation, registration, recognition, endorsement, equivalence decision, approval or inclusion in any official register is rejected; or (iii) any authorisation, registration, recognition, endorsement, equivalence decision or approval is suspended or inclusion in any official register is withdrawn.

More broadly, any of the international or national reform initiatives or the increased regulatory scrutiny of benchmarks generally could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any applicable regulations or requirements. Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to benchmarks; (ii) trigger changes in the rules or methodologies used in the benchmarks; or (iii) lead to the disappearance of the benchmarks. This could result in, amongst other things, (i) the substitution of replacement rates for

such benchmark(s), (ii) adjustments to the terms of the relevant Notes, (iii) early redemption of the relevant Notes, and/or (iv) other consequences for Notes linked to any such benchmarks. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations could have a material adverse effect on the value of and return on any Notes linked to or referencing a "benchmark" and could result in the occurrence of an Administrator/Benchmark Event.

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

## **CREDIT LINKED NOTES**

### **Credit Exposure to Reference Entities**

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

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

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

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

### **Non-Transferability of Deliverable Obligations**

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

## **A Credit Event may occur prior to the Trade Date**

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

## **Role of the Credit Derivatives Determinations Committee**

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

## **Auction Settlement- Auction Final Price**

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

## **Auction Settlement – Local Market Variation**

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

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

### **Physical Settlement – Obligations of the Noteholder**

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

### **Physical Settlement – Undeliverable Obligations**

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

## **EQUITY LINKED NOTES**

### **Amounts payable in respect of Share Linked Notes and Share Basket Linked Notes**

The Issuer may issue Equity Linked Notes where the amounts payable under such Notes, including any interim amounts, are dependent upon the price of or changes in the price of a Share or some or all of the Shares comprising a Basket of Shares or where, depending on the price of or change in the price of a Share or some or all of the Shares comprising a Basket of Shares, the Issuer has an obligation to deliver specified assets. Accordingly, an investment in Share Linked Notes and Share Basket Linked Notes may bear similar market and credit risks to a direct investment in Shares or the Shares comprising a Basket of Shares and investors must seek professional investment advice accordingly. An investment in Equity Linked Notes entails significant risks in addition to those associated with an investment in a conventional debt security.

### **Amounts payable in respect of Equity Index Linked Notes and Equity Index Basket Linked Notes**

The return payable on Equity Linked Notes that reference an Equity Index of a Basket of Equity Indices may not be the same as the return you would realise if you actually owned the relevant assets comprising the components of the Equity Index. For example, if the components of the Equity Index are shares, Noteholders of Equity Linked Notes will not receive any dividends paid on those shares and will not participate in the return on those dividends, save where the relevant Equity Index takes such dividends into account for purposes of calculating the relevant level of such Equity Index. Similarly, Noteholders of Equity Index Linked Notes and Equity Index Basket Linked Notes will not have any voting rights in the underlying shares or any other assets which may comprise the components of the relevant Equity Index. Accordingly, you may receive a lower return on Equity Linked Notes linked to Equity Indices than you would have received if you had invested in the components of such Equity Indices directly.

## **Share Companies**

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

### **No dividends**

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

### **Features of Share Linked Notes and Share Basket Linked Notes**

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

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

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

### **Adjustments to Share Linked Notes and Share Basket Linked Notes**

If the Calculation Agent determines that an event giving rise to a Disrupted Day has occurred at any relevant time in respect of any Equity Linked Notes, any such determination may have an effect on the timing of valuation and consequently the value of such Equity Linked Notes and/or may delay settlement in respect of such Equity Linked Notes. Prospective purchasers of Equity Linked Notes should conduct their own investigation and analysis, including how such provisions apply to such Equity Linked Notes.

Following the declaration by the Share Company of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares and, if so, will (i) make the corresponding adjustment, if any, to any of the terms of the Equity Linked Notes as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no

adjustments will be made to account solely for changes in volatility, expected dividends, stock loan rate or liquidity relative to the relevant Share) and (ii) determine the effective date of that adjustment. Such adjustment may have an adverse effect on the value and liquidity of the affected Equity Linked Notes.

If a Merger Event, Tender Offer, Delisting, Nationalisation or Insolvency occurs in relation to any Share, the Issuer in its sole and absolute discretion may take the action described in paragraph (i), (ii) or (iii) below:

- (i) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any of the terms of the Equity Linked Notes to account for the Merger Event, Tender Offer, Delisting, Nationalisation or Insolvency and determine the effective date of that adjustment. Such adjustment may have an adverse effect on the value and liquidity of the affected Equity Linked Notes;
- (ii) redeem or cancel part (in the case of Equity Linked Notes relating to a Basket of Shares) or all (in any other case) of the Notes. Following such redemption or cancellation an investor generally may not be able to reinvest the redemption or cancellation proceeds on the same terms as the Equity Linked Notes being redeemed or cancelled and may only be able to do so at significantly worse terms. Prospective investors in Equity Linked Notes should consider reinvestment risk in light of other investments available at that time; and
- (iii) if the Applicable Pricing Supplement in respect of Equity Linked Notes linked to a Basket of Shares provides that "Share Substitution" is applicable, require the Calculation Agent to adjust the Basket of Shares to include a share selected by it in accordance with the criteria for share selection set out in the Applicable Pricing Supplement in place of the Share(s) in the basket which are affected by such Merger Event, Tender Offer, Delisting, Nationalisation or Insolvency and the substituted shares will be deemed to be "Shares" and the relevant issuer of such shares, a "Share Company" for the purposes of the affected Equity Linked Notes, and the Calculation Agent will make such adjustment, if any, to any of the terms of the Equity Linked Notes as the Calculation Agent determines appropriate.

#### **A change in the composition or discontinuance of an Equity Index could adversely affect the market value of the Equity Linked Notes**

The sponsor of any Equity Index may add, delete or substitute the components of such Equity Index or make other methodological changes that could change the level of one or more components. The changing of components of any Equity Index may affect the level of such Equity Index as a newly added component may perform significantly worse or better than the component it replaces, which in turn may affect the payments made by the Issuer to you under the Equity Index Linked Notes or the Equity Index Basket Linked Notes. The sponsor of any such Equity Index may also alter, discontinue or suspend calculation or dissemination of such Equity Index. The sponsor of an Equity Index will have no involvement in the offer and sale of the Equity Linked Notes and will have no obligation to any Noteholder of Equity Linked Notes. The sponsor of an Equity Index may take any actions in respect of such Equity Index without regard to the interests of the Noteholders of Equity Linked Notes, and any of these actions could adversely affect the return on the Equity Linked Notes.

#### **Miscellaneous risks associated with Share Linked Notes and Share Basket Linked Notes**

The market price of Equity Linked Notes may be volatile and may be affected by the time remaining to the redemption or exercise date, the volatility of the Share or the Shares comprising the Basket of Shares, the dividend rate (if any) and the financial results and prospects of the relevant Share Company or Share Companies as well as economic, financial and political events in one or more

jurisdictions, including factors affecting the stock exchange(s) or quotation system(s) on which any such Share or Shares may be traded.

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

### **Issuer's ability to vary settlement**

If indicated in the Applicable Pricing Supplement, the Issuer has an option to vary settlement in respect of the Equity Linked Notes and elect not to pay the relevant Noteholders the Final Redemption Amount but, in lieu thereof, to deliver or procure delivery of the Shares or Basket of Shares on the Maturity Date. Notification of any such election will be given to Noteholders in accordance with General Condition 13 and the particulars of the physical settlement process will be specified in the applicable Pricing Supplement. Exercise of such option may affect the value of the relevant Equity Linked Notes.

## **FX LINKED NOTES**

### **General**

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

Potential investors in any such Notes should be aware that, depending on the terms of the FX Linked Notes (i) they may receive no or a limited amount of interest, (ii) payment of principal or interest may occur at a different time or in a different currency than expected, (iii) the FX Linked Notes may be redeemed by Delivery of, or at a redemption amount calculated by reference to the fair market value of, selected FX Deliverable Obligations, rather than at the redemption amount expected, and (iv) they may lose a substantial portion or all of their investment. In addition, movements in currency exchange rates may be subject to significant fluctuations that may not correlate with changes in interest rates or other indices and the timing of changes in the exchange rates may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in currency exchange rates, the greater the effect on yield.

The foreign exchange rate(s) to which the Notes are linked will affect the nature and value of the investment return on the Notes. The performance of foreign exchange rates are dependent upon the supply and demand for currencies in the international foreign exchange markets, which are subject to economic factors, including inflation rates in the countries concerned, interest rate differences between the respective countries, economic forecasts, international political factors, currency convertibility and safety of making financial investments in the currency concerned, speculation and measures taken by governments and central banks. Such measures include, without limitation, imposition of regulatory controls or taxes, issuance of a new currency to replace an existing currency,

alteration of the exchange rate or exchange characteristics by devaluation or revaluation of a currency or imposition of exchange controls with respect to the exchange or transfer of a specified currency that would affect exchange rates and the availability of a specified currency. Where the Notes are linked to the currency of an emerging market jurisdiction, such risks may be magnified – see also risk factor "*Emerging market currencies*" above.

### **Effect of Leverage**

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

### **Disruption Events**

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

Following a relevant Disruption Event:

- the applicable valuation date for the applicable exchange rate may be postponed so long as the relevant Disruption Event continues;
- the Calculation Agent may determine the applicable exchange rate;
- the Notes may be redeemed early (or on the originally designated date) by payment of an alternative redemption amount (calculated by reference to their fair market value or, if FX Deliverable Obligations are specified in the Applicable Pricing Supplement, the fair market value of selected FX Deliverable Obligations (see also "*FX Deliverable Obligations*" below)), rather than any amount that would have otherwise been calculated in respect of and due on the relevant date;
- if FX Deliverable Obligations are specified in the Applicable Pricing Supplement, the Notes may be redeemed early by delivery of selected FX Deliverable Obligations (see also "*FX Deliverable Obligations*" and "*Physical Delivery*" below), rather than by payment of any amount that would have otherwise been calculated in respect of and due on the relevant date;
- the related date for payment may be deferred so long as the relevant Disruption Event continues; or
- a fallback reference price source or sources may be used to calculate the applicable exchange rate instead of the originally designated price source.



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

### **FX Deliverable Obligations**

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

### **Physical Delivery**

If FX Linked Notes are to be redeemed by delivery of FX Deliverable Obligations following a Disruption Event, the Issuer's obligation to deliver the FX Deliverable Obligations comprising the FX Entitlement to the Noteholder is subject to various conditions, including the delivery by the Noteholder to the Principal Paying Agent of an FX Asset Transfer Notice and, in certain circumstances, the payment to the Issuer of the FX Delivery Expenses within the prescribed time limit. If the Noteholder fails to so deliver an FX Asset Transfer Notice, the Issuer may be discharged from its obligations under the FX Linked Note. Where applicable, if a Noteholder fails to so pay FX Delivery Expenses (or if they have not been calculated within the relevant time), the FX Deliverable Obligations comprising the FX Entitlement deliverable to such Noteholder will be reduced to reflect such FX Delivery Expenses.

If, on the scheduled date for physical delivery of the FX Entitlement, the Calculation Agent determines that any FX Deliverable Obligations comprising the FX Entitlement are FX Undeliverable Obligations, settlement in respect of the FX Linked Notes may be delayed for up to five Business Days until the Issuer can procure the delivery of the FX Undeliverable Obligations. Where any FX Deliverable Obligations are still FX Undeliverable Obligations on that fifth Business Day, the Calculation Agent will determine the action to be taken under the Notes, including whether or not the Issuer will continue to attempt to deliver the FX Undeliverable Obligations, and the future terms applicable to the Notes. In each case, the value of the FX Linked Notes may be affected.

## **PRESENTATION OF FINANCIAL INFORMATION**

*Capitalised words used in this section headed "Presentation of Financial 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 this is clearly inappropriate from the context.*

### **Documents incorporated by reference**

The two most recently published annual report and audited consolidated financial statements of the Issuer shall be deemed to be incorporated in, and to form part of this Programme Memorandum. Copies of such documents may be viewed online or downloaded from the following website: <http://reporting.standardbank.com/resultsreports.php>

Alternatively, copies may be obtained free of charge from the registered office of the Issuer.

## **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.*

**PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS** - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA") or in the United Kingdom ("UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as may be amended or replaced from time to time, "**MiFID II**"); (ii) a customer within the meaning of Directive 2016/97/EU, (the "**Insurance Distribution Directive**") where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation (as defined below). Consequently, no key information document required by Regulation (EU) No 1286/2014 (as may be amended or replaced from time to time, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

[CLN Number][SN Number]

Pricing Supplement dated [●]



**The Standard Bank of South Africa Limited**

(Incorporated with limited liability in South Africa on 13 March 1962 under registration number 1962/000738/06)

**Issue of**

**[Aggregate Nominal Amount of Tranche] [Title of Notes] due [Date]  
under its USD [1,000,000,000] Structured Note Programme**

**Legal entity identifier (LEI): QFC8ZCW3Q5PRXU1XTM60**

### **PART A – CONTRACTUAL TERMS**

This document constitutes the Applicable Pricing Supplement relating to the issue [and listing and admission to trading on the Luxembourg Stock Exchange's Euro MTF] of Notes described herein. The programme memorandum dated 14 September 2020 [and the Supplement[s] to the programme memorandum listed in the Annex hereto] ([as so supplemented,] the "**Programme Memorandum**") (as completed and (if applicable) amended by this Pricing Supplement) has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area or in the United Kingdom (each, a "**Relevant State**") will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the Notes. The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129, as amended. Accordingly, any person making or intending to make an offer in that Relevant State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

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. 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.	(a) Series Number	[ ]
	(b) Tranche Number	[ ]
3.	Specified Currency	[ ]
4.	Payment Currency	[ ]
5.	Aggregate Nominal Amount:	
	(a) Series	[ ]
	(b) Tranche	[ ]
6.	Issue Price	[ ]
7.	Specified Denomination	[ ]
8.	Calculation Amount	[ ]
9.	Issue Date	[ ]
10.	Trade Date	[ ]
11.	Interest Commencement Date	[ ]
12.	Maturity Date	<i>[Fixed rate – specify date/Floating rate – specify date] [FX Linked Notes and Equity Linked Notes – specify date and consider including the following as part of the Maturity Date formulation: or, if later, the [specify number] Business Day following the [insert final valuation date]] [Credit Linked Notes – The Scheduled Maturity Date, subject as provided in [Credit Linked Condition 6 (Repudiation/Moratorium Extension)], [Credit Linked Condition 7 (Grace Period Extension)] [Credit Linked Condition 8 (Credit Derivatives Determinations Committee Extension)] [and] [Credit Linked Condition 9 (Maturity Date Extension)]]</i>
13.	Interest Payment Basis	[Fixed]/[Floating] Rate  [Indexed Notes]

- [FX Linked]
- [Not Applicable]
14. Redemption/Payment Basis [Redemption at par]
- [Credit Linked]
- [Equity Linked]
- [FX Linked]
- [Instalment]
- [Partly Paid]
- [Zero Coupon]
- [Indexed Notes]
- [Specify other]
15. Change of Interest or Redemption/Payment Basis [Not Applicable] [Specify other]
16. Put/Call Options [ ]
17. Status of Notes Senior
18. Automatic/Optional Conversion from one Interest Payment Basis to another [insert details including date for conversion]
19. Applicable Business Day Convention [ ] [Unless otherwise indicated in this Applicable Pricing Supplement or the Terms and Conditions, the Applicable Business Day Convention shall apply to all dates herein.]
20. Calculation Agent [The Standard Bank of South Africa Limited]
21. Specified Office of the Calculation Agent [ ]
22. Final Redemption Amount [ ] [FX Final Redemption Amount]
23. Unwind Costs [Standard Unwind Costs] [Other] [Not Applicable]

**PARTLY PAID NOTES:** [Applicable/Not Applicable]

*(If Not Applicable, (i) insert "Paragraphs 24-27 are intentionally deleted" and (ii) delete paragraphs 24-27)*

24. Amount of each payment comprising the Issue Price [ ]
25. Date upon which each payment is to be made by Noteholder [ ]
26. Consequences (if any) of failure to make any such payment by Noteholder [ ]
27. Interest Rate to accrue on the first and subsequent instalments after the due date for payment of such instalments [ ]

**INSTALMENT NOTES:** [Applicable/Not Applicable]

*(If Not Applicable, (i) insert "Paragraphs 28-29 are intentionally deleted" and (ii) delete paragraphs 28-29)*

28. Instalment Dates [ ]
29. Instalment Amounts (expressed as a percentage of the aggregate Nominal Amount of the Notes or as an amount) [ ]

**FIXED RATE NOTES:** [Applicable/Not Applicable]

*(If Not Applicable, (i) insert "Paragraph 30 is intentionally deleted" and (ii) delete paragraph 30)*

30. (a) Interest Rate(s) [ ]% per annum payable [semi-annually] in arrear
- (b) Interest Payment Date(s) [[ ] and [ ]] in each year up to and including the Maturity Date
- (c) Fixed Coupon Amount[(s)] [ ]
- (d) Initial Broken Amount [ ]
- (e) Final Broken Amount [ ]
- (f) Day Count Fraction [ ]
- (g) Any other terms relating to the particular method of calculating interest [ ]

**FLOATING RATE NOTES:** [Applicable/Not Applicable]

*(If Not Applicable, (i) insert "Paragraphs 31-37 are intentionally deleted" and (ii) delete paragraphs 31-37)*

31. (a) Interest Payment Date(s) Each [[ ], [ ], [ ] and [ ]] until the Maturity Date, with the first Interest Payment Date being [ ] [(each Interest Payment Date as adjusted in accordance with the applicable Business Day Convention (if any))]
- (b) Interest Period(s) Each period from and including one Interest Payment Date to, but excluding the next Interest Payment Date; provided that the first Interest Period shall commence on (and include) the Interest Commencement Date and end on (but exclude) [the following Interest Payment Date] / [state specific Interest Payment Date] and the last Interest Period shall conclude on, but exclude the last Interest Payment Date ([ ])
- (c) Definitions of Business Day (if different from that set out in Condition 1 (*Interpretation and General Definitions*)) [ ]
- (d) Interest Rate(s) [*insert details*]
- (e) Minimum Interest Rate [ ]
- (f) Maximum Interest Rate [ ]
- (g) Day Count Fraction [ ]
- (h) Other terms relating to the method of calculating interest (e.g. Day Count Fraction, rounding up provision, if different from Condition 6.2 (*Interest on Floating Rate Notes, Indexed Notes and FX Linked Interest Notes and Interim Amounts payable in respect of Equity Linked Notes*)) [ ]
32. Manner in which the Interest Rate is to be determined [ISDA Determination/Screen Rate Determination/other (insert details)]
33. Margin [ ]
34. If ISDA Determination:
- (a) Floating Rate [ ]
- (b) Floating Rate Option [ ]

- (c) Designated Maturity [ ]
- (d) Reset Date(s) [ ]
35. If Screen Rate Determination:
- (a) Reference Rate (including relevant period by reference to which the Interest Rate is to be calculated) [*insert details*]
- (b) Interest Determination Date(s) [Each [[ ], [ ], [ ] and [ ]] of each year, commencing on [ ] until the Maturity Date]
- (Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
- (c) Relevant Screen Page [Reuters page SAFETY or any successor page/other (*insert details*)]
- (In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (d) Relevant Time [11h00 (Johannesburg time)/11h00 (London time)/11h00 (Brussels time)/other (*insert details*)]
- (e) Specified Time [12h00 (Johannesburg time)/11h00 (London time)/11h00 (Brussels time)/other (*insert details*)]
- (f) Reference Rate Market [As set out in Condition 1 (*Interpretation and General Definitions*)/other (*insert details*)]
36. If Interest Rate to be calculated otherwise than by reference to 34 or 35 above:
- (a) Margin [ ]
- (b) Minimum Interest Rate [ ]
- (c) Maximum Interest Rate [ ]
- (d) Day Count Fraction [ ]
- (e) Reference Banks [ ] [Leading banks that trade in the Payment Currency as selected by the Calculation Agent]



(f) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest for Floating Rate Notes [ ]

37. If different from Calculation Agent, agent responsible for calculating amount of principal and interest [ ]

#### **EQUITY LINKED INTERIM AMOUNT NOTES:**

*(If Not Applicable, (i) insert “Paragraph 38 is intentionally deleted” and (ii) delete paragraph 38. If the Indexed Notes are not Equity Index Linked Notes or Equity Index Basket Linked Notes, these provisions should be stated as Not Applicable and the relevant provisions of the Indexed Notes should be used.)*

38. Equity Linked Interim Amount Notes: [Applicable/Not Applicable]

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

(a) Share(s) or Basket of Share(s): [ ]

ISIN: [ ]

*(N.B. Only relevant for Share Linked Notes and Share Basket Linked Notes)*

(b) Share Performance: [Applicable - (insert formula)/Not Applicable]

*(N.B. Only relevant for Share Linked Notes and Share Basket Linked Notes)*

(i) Best Performing Share: [Applicable – the Best Performing Share means, with respect to [a Valuation Date, an Observation Date or an Averaging Date, (*specify as applicable/other*)], as the case may be,]] the Share having the highest Share Performance provided that if [both][two or more] Shares have the same highest Share Performance, then the Calculation Agent shall determine which Share shall constitute the Best Performing Share for such date/Not Applicable]

(ii) Worst Performing Share: [Applicable – the Worst Performing Share means, with respect to [a Valuation Date, an Observation Date or an Averaging Date, (*specify as applicable/other*)], as the case may be,]] the Share having the lowest Share Performance provided that if [both][two or more] Shares have the same lowest

Share Performance, then the Calculation Agent shall determine which Share shall constitute the Worst Performing Share for such date]/Not Applicable]

- (c) Index or Basket of Indices: [ ]  
*(N.B. Only relevant for Equity Index Linked Notes and Equity Index Basket Linked Notes)*
- (d) Index/Indices: [ ]  
*(N.B. Only relevant for Equity Index Linked Notes and Equity Index Basket Linked Notes)*
- (e) Futures Price Valuation: [Applicable/Not Applicable]  
  
[If Applicable:  
  
(A) Exchange-traded Contract: [(Provide details of the Share to which the contract relates and the delivery month of such contract)]  
  
(B) Related Exchange: [insert details on exchange where Exchange Traded Contract is traded]]
- (f) Formula or index for calculating Interim Amount including back up provisions: [ ]
- (g) Interim Amount Payment Date(s): Each [[ ], [ ], [ ] and [ ]] until the Maturity Date, with the first Interim Amount Payment Date being [ ]
- (h) Definition of Business Day (if different from that set in General Condition [ ])
- (i) Interpretation *and General Definitions*):
- (j) Minimum Interim Amount: [ ]
- (k) Maximum Interim Amount: [ ]
- (l) Other terms relating to the method of calculating Interim Amounts (e.g. rounding up provision, [ ])

if different from Condition 6.2 (*Interest on Floating Rate Notes, Indexed Notes, FX Linked Interest Notes and Interim Amounts payable in respect of Equity Linked Notes*)):

- (m) Averaging: [The Averaging Dates are [ ]].  
 [In the event that an Averaging Date is a Disrupted Day, [Omission/Postponement/Modified Postponement] will apply.]
- (n) Exchange Rate: [Applicable/Not Applicable]  
 (*insert details*)
- (o) Weighting: The weighting to be applied to each item comprising the Basket of Shares to ascertain the Share Performance is [ ].  
 (*N.B. Only applicable in relation to Equity Linked Interim Amount Notes relating to a Basket of Shares*)
- (p) Exchange(s): [ ]
- (q) Related Exchange: [ ]/[All Exchanges]
- (r) Valuation Date(s): [ ]
- (s) Valuation Time: [ ]
- (t) Observation Date(s): [ ]
- (u) Initial Observation Date: [ ]
- (v) Final Observation Date: [ ]
- (w) Observation Period: [Applicable – the period from [(and including/but excluding)] [ ] to [(and including/but excluding)] [ ]/[Not Applicable]  
 (*N.B. this definition will need to be revised if there is more than one Observation Period*)
- (x) Disrupted Day: [If a Valuation Date, an Averaging Date or an Observation Date, as the case may be, is a Disrupted Day, the relevant price will be calculated [*insert calculation method*]

*(N.B. Only applicable where provisions of the Equity Linked Conditions are not appropriate)*

- (y) Share Substitution: [Applicable/Not Applicable]  
[If Applicable: Share Substitution Criteria is [ ]]

*(N.B. Only relevant for Share Linked Notes and Share Basket Linked Notes)*

- (z) Trade Date: [ ]

- (aa) Knock-in Provisions: [Applicable – the provisions of Equity Linked Condition 7 (*Knock-in Event, Knock-out Event*) apply to the Notes/Not Applicable]

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

- (i) Knock-in Determination Day: [ ]

- (ii) Knock-in Event and consequences of a Knock-in Event: [ ]

- (iii) Knock-in Level: [ ]

- (iv) Knock-in Period Start Date: [ ]

- (v) Knock-in Period End Date: [ ]

- (vi) Knock-in Valuation Time: [ ]

- (bb) Knock-out Provisions: [Applicable – the provisions of Equity Linked Condition 7 (*Knock-in Event, Knock-out Event*) apply to the Notes/Not Applicable]

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

- (i) Knock-out Determination Day: [ ]
- (ii) Knock-out Event and consequences of a Knock-out Event: [ ]
- (iii) Knock-out Level: [ ]
- (iv) Knock-out Period Start Date: [ ]
- (v) Knock-out Period End Date: [ ]
- (vi) Knock-out Valuation Time: [ ]
- (vii) Knock-in/Knock-out Determination Day consequences of a Disrupted Day: [Omission][Postponement]
- (viii) Knock-in/Knock-out intraday valuation consequences of disruption: [Omission][Materiality]
- (ix) Additional Knock-in/Knock-out Determination Day Disrupted Day provisions: [ ]  
(*N.B. Only applicable where provisions of the Additional Terms for Equity Linked Notes are not appropriate*)
- (cc) Other terms or special conditions: [ ]

**MIXED RATE NOTES:** [Applicable/Not Applicable]

*(If Not Applicable, (i) insert "Paragraph 39 is intentionally deleted" and (ii) delete paragraph 39)*

39. 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) FX Linked Interest Notes [ ]
- (e) Equity Linked Notes [ ]
- (f) Other [ ]

**ZERO COUPON NOTES:** [Applicable/Not Applicable]

*(If Not Applicable, (i) insert "Paragraph 40 is intentionally deleted" and (ii) delete paragraph 40)*

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

**INDEXED NOTES:** [Applicable/Not Applicable]

*(If Not Applicable, (i) insert "Paragraph 41 is intentionally deleted" and (ii) delete paragraph 41. If Equity Index Linked Notes or Equity Index Basket Linked Notes, these provisions should be stated as Not Applicable and the relevant provisions of the Equity Linked Interim Notes or Equity Linked Redemption Notes should be used, as applicable.)*

41. (a) Type of Indexed Notes [ ]
- (b) Index/ Formula by reference to which Interest Amount/ Final Redemption Amount is to be determined [ ]
- Index Code: [ ]
- Index Currency: [ ]
- Index Sponsor: [ ]
- Index Calculator: [ ]

The Index ground rules document is available at www.[●].

All other changes as detailed in the ground rules document will be published on the Index Calculator's website, www.[●].

(c) Index of Indices [Yes/No]

*(If yes, complete the below information for each underlying index)*

[Underlying Indices: [ ]]

The index level is published [daily/monthly] on www.[●]

(d) Manner in which the Interest Amount/ Final Redemption Amount is to be determined [ ]

(e) Initial Index Level [ ]

(f) Interest Payment Date(s) [ ]

(g) If different from the Calculation Agent, agent responsible for calculating amount of principal and interest [ ]

(h) Provisions where calculation by reference to index and/or formula is impossible or impracticable [ ]

(i) Interest Rate(s) [ ]

(j) Minimum Interest Rate [ ]

(k) Maximum Interest Rate [ ]

(l) Other terms relating to the calculation of the Interest Rate [ ]

## **EQUITY LINKED REDEMPTION NOTES**

*(If Not Applicable, (i) insert "Paragraph 42 is intentionally deleted" and (ii) delete paragraph 42. If the Indexed Notes are not Equity Index Linked Notes or Equity Index Basket Linked Notes, these*

provisions should be stated as Not Applicable and the relevant provisions of the Indexed Notes should be used.)

42. Equity Linked Redemption Notes: [Applicable/Not Applicable]
- (If not applicable, delete remaining sub-paragraphs of this paragraph)*
- (a) Share(s)/Basket of Share(s): [ ]  
ISIN: [ ]
- (N.B. Only relevant for Share Linked Notes and Share Basket Linked Notes)*
- (b) Share Performance: [Applicable - (insert formula)/Not Applicable]
- (N.B. Only relevant for Share Linked Notes and Share Basket Linked Notes)*
- (i) Best Performing Share: [Applicable – the Best Performing Share means, with respect to [a Valuation Date, an Observation Date or an Averaging Date, (specify as applicable/other)], as the case may be,] the Share having the highest Share Performance provided that if [both][two or more] Shares have the same highest Share Performance, then the Calculation Agent shall determine which Share shall constitute the Best Performing Share for such date/Not Applicable]
- (ii) Worst Performing Share: [Applicable – the Worst Performing Share means, with respect to [a Valuation Date, an Observation Date or an Averaging Date, (specify as applicable/other)], as the case may be,] the Share having the lowest Share Performance provided that if [both][two or more] Shares have the same lowest Share Performance, then the Calculation Agent shall determine which Share shall constitute the Worst Performing Share for such date/Not Applicable]
- (c) Index or Basket of Indices: [ ]
- (N.B. Only relevant for Equity Index Linked Notes and Equity Index Basket Linked Notes)*
- (d) Index/Indices: [ ]
- (N.B. Only relevant for Equity Index Linked Notes and Equity Index Basket Linked Notes)*
- (e) Futures Valuation: Price [Applicable/Not Applicable]
- [If Applicable:



- (A) Exchange-traded Contract: *[(Provide details of the Shares to which the contract relates and the delivery month of such contract)]*
- (B) Related Exchange: *[insert details on exchange where Exchange Traded Contract is traded]*
- (f) Averaging: [The Averaging Dates are [ ]].
- [In the event that an Averaging Date is a Disrupted Day, [Omission/Postponement/Modified Postponement] will apply.]
- (g) Exchange Rate: [Applicable/Not Applicable]
- (insert details)*
- (h) Weighting: The weighting to be applied to each item comprising the Basket of Shares to ascertain the Share Performance is [ ].
- (N.B. Only applicable in relation to Equity Linked Redemption Notes relating to a Basket of Shares)*
- (i) Exchange(s): [ ]
- (j) Related Exchange: [ ]/[All Exchanges]
- (k) Valuation Date(s): [ ]
- (l) Valuation Time: [ ]
- (m) Observation Date(s): [ ]
- (n) Initial Observation Date: [ ]
- (o) Final Observation Date: [ ]
- (p) Observation Period: [Applicable – the period from [(and including/but excluding)] [ ] to [(and including/but excluding)] [ ]/[Not Applicable]
- (N.B. this definition will need to be revised if there is more than one Observation Period)*
- (q) Disrupted Day: [If a Valuation Date, an Averaging Date or an Observation Date, as the case may be, is a Disrupted Day, the relevant price will be calculated *[insert calculation method]*]

*(N.B. Only applicable where provisions of the Equity Linked Conditions are not appropriate)*

- (r) Share Substitution: [Applicable/Not Applicable]  
[If Applicable: Share Substitution Criteria is [ ]]

*(N.B. Only relevant for Share Linked Notes and Share Basket Linked Notes)*

- (s) Trade Date: [ ]

- (t) Knock-in Provisions: [Applicable – the provisions of Equity Linked Condition 7 (*Knock-in Event, Knock-out Event*) apply to the Notes/Not Applicable]

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

- (i) Knock-in Determination Day: [ ]

- (ii) Knock-in Event and consequences of a Knock-in Event: [ ]

- (iii) Knock-in Level: [ ]

- (iv) Knock-in Period Start Date: [ ]

- (v) Knock-in Period End Date: [ ]

- (vi) Knock-in Valuation Time: [ ]

- (u) Knock-out Provisions: [Applicable – the provisions of Equity Linked Condition 7 (*Knock-in Event, Knock-out Event*) apply to the Notes/Not Applicable]

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

- |        |   |  |
|--------|---|--|
| (i)    | Knock-out Determination Day:  | [      ]   |
| (ii)   | Knock-out Event and consequences of a Knock-out Event:                    | [      ]   |
| (iii)  | Knock-out Level:  | [      ]   |
| (iv)   | Knock-out Period Start Date:  | [      ]   |
| (v)    | Knock-out Period End Date:  | [      ]   |
| (vi)   | Knock-out Valuation Time:   | [      ]   |
| (vii)  | Knock-in/Knock-out Determination Day consequences of a Disrupted Day:     | [Omission][Postponement]   |
| (viii) | Knock-in/Knock-out intraday valuation consequences of disruption:         | [Omission][Materiality]  |
| (ix)   | Additional Knock-in/Knock-out Determination Day Disrupted Day provisions: | [      ]<br><i>(N.B. Only applicable where provisions of the Equity Linked Conditions are not appropriate)</i>   |
| (v)    | Issuer's option to vary Settlement:                                       | [Applicable/Not Applicable]<br><i>(N.B. Option will apply unless specified as Not Applicable. If Applicable, insert relevant physical settlement provisions)</i> |

- (w) Other terms or special conditions: [ ]

**FX LINKED INTEREST NOTES:** Applicable/Not Applicable

*(If Not Applicable, (i) insert "Paragraph 43 is intentionally deleted" and (ii) delete paragraph 43)*

43. FX Linked Interest Notes:

- (a) Base Currency [ ]/[Not Applicable]
- (b) Subject Currency/Currencies [ ]/[Not Applicable]
- (c) Interest Rate(s) [ ]
- (d) Minimum Interest Rate [ ]
- (e) Maximum Interest Rate [ ]
- (f) Interest Valuation Date(s) [ ]/[Not Applicable]
- (g) Interest Payment Date(s) [ ] [*Consider including (see also "Maturity Date" above): or in each case, if later, the [specify number] Business Day following the [insert relevant valuation date]*]/[Not Applicable]
- (h) Interest Period(s) Each period from and including one Interest Payment Date to, but excluding the next Interest Payment Date provided that the first Interest Period shall commence on the Interest Commencement Date ([ ]) and the last Interest Period shall conclude on, but exclude the last Interest Payment Date ([ ])
- (i) Definitions of Business Day (if different from that set out in Condition 1 (*Interpretation and General Definitions*)) [ ]
- (j) Day Count Fraction [ ]
- (k) Averaging Averaging [applies][does not apply] to the Notes. [The Averaging Dates are [specify] and the weighting is [specify]]
- (l) Observation Date(s) [ ]/[Not Applicable]
- (m) Observation Period(s) [ ]/[Not Applicable]
- (n) Strike Date [ ]/[Not Applicable]

- (o) Strike Period [and Strike Days] [ ]/[Not Applicable][*Specify the applicable Strike Days in the Strike Period*]
- (p) Disruption and Settlement *Where there is more than one Subject Currency, complete as relevant for each Subject Currency)*
- (i) Delayed Redemption on the Occurrence of a Disruption Event [Applicable]/[Not Applicable]
- (ii) Provisions applicable to determining the Settlement Price For the purpose of the definition of "Settlement Price" in the FX Linked Note Conditions [and [*specify the relevant Subject Currency where more than one Subject Currency*]]:
- FX Price Source: [ ]
- Valuation Time: [ ]
- Scheduled Trading Day Jurisdiction: [ ]
- (iii) Disruption Events [Price Source Disruption]
- [Illiquidity Disruption]
- [Dual Exchange Rate]
- [General Inconvertibility]
- [General Non-Transferability]
- [Material Change in Circumstance]
- [Nationalisation]
- [Price Materiality, where:
- Price Materiality Percentage: [*specify*][3] per cent.
- Primary Rate: [*specify*][The rate determined as set out in the definition of Settlement Price]
- Secondary Rate: [*specify*][[First Fallback Reference Price [and]][Second Fallback Reference Price]]
- [Benchmark Obligation Default, where:
- Benchmark Obligation: [*specify*]]

[Governmental Authority Default]

[Inconvertibility/Non-Transferability]

[Specific Inconvertibility]

[Specific Non-Transferability]

*(Specify in respect of each Subject Currency where there is more than one Subject Currency and different Disruption Events (or components thereof) also apply thereto)*

(iv) Disruption  
Fallbacks

[In respect of *[state Disruption Event(s)]*]:  
[Calculation Agent Determination]

[In respect of *[state Disruption Event(s)]*]: [First  
Fallback Reference Price, where:

First Fallback FX Price Source: [ ]

First Fallback Valuation Time: [ ]

First Fallback Number of Settlement  
Days: [ ]]

[In respect of *[state Disruption Event(s)]*]: [Second  
Fallback Reference Price, where:

Second Fallback FX Price Source:  
[ ]

Second Fallback Valuation Time:  
[ ]

Second Fallback Number of  
Settlement Days: [ ]]

[In respect of *[state Disruption Event(s)]*]:  
[Valuation Postponement]

*(Specify in respect of each Subject Currency where there is more than one Subject Currency and different Disruption Events (or components thereof) also apply thereto)*

[In respect of *[state Disruption Event(s)]*]:  
[Settlement Postponement]

(v) FX Deliverable  
Obligations

[Specify]/[Not Applicable]

*(If not applicable, delete remaining sub-paragraphs)*

[Face Amount: *specify*]

[Delivery provisions for FX Deliverable Obligations if different from FX Linked Note Conditions: *specify*]

(vi) Maximum Days of Postponement

[ ]

*(Specify in respect of each Subject Currency where there is more than one Subject Currency and different Disruption Fallbacks (or components thereof) also apply thereto)*

(vii) Cumulative Events

[Not Applicable]/[Applicable and Maximum Cumulative Days of Postponement means [ ]]

*(Specify in respect of each Subject Currency where there is more than one Subject Currency and different Disruption Fallbacks (or components thereof) also apply thereto)*

(viii) Number of Settlement Days

[Two][Zero][*specify other*] [where Settlement Day Centre(s) means [ ]]

(ix) Number of Postponement Settlement Days

[[Two]/ [ ]] [Business Days]/[Settlement Days]/ [ ]

(x) Maximum Days of Settlement Postponement

[ ]

(q) Other terms relating to the method/manner of calculating interest and any Interest Amount (e.g. Day Count Fraction, rounding up provision, if different from Condition 6.2 (*Interest on Floating Rate Notes, Indexed Notes, FX Linked Interest Notes and Interim Amounts payable in respect of Equity Linked Notes*))

[ ]

**EXCHANGEABLE NOTES:**

[Applicable/Not Applicable]

*(If Not Applicable, (i) insert "Paragraph 44 is intentionally deleted" and (ii) delete paragraph 44)*

44. Exchangeable Notes:

- (a) Mandatory Exchange applicable? [ ]
- (b) Noteholders' Exchange Right applicable? [ ]
- (c) Exchange Securities [ ]
- (d) Manner of determining Exchange Price [ ]
- (e) Exchange Period [ ]
- (f) Other [ ]

**CREDIT LINKED NOTE** [Applicable/Not Applicable]  
**PROVISIONS:**

*(If Not Applicable, (i) insert "Paragraphs 45 - 47 is intentionally deleted" and (ii) delete paragraphs 45 - 47)*

45. Credit Linked Notes:

- (a) Scheduled Maturity Date [ ]
- (b) Reference Entity(ies) [ ]
- (c) Reference Obligation(s) [Standard Reference Obligation]/[Standard Reference Obligation not applicable]

*(If Standard Reference Obligation is applicable and "Additional Provisions for Senior Non-Preferred Reference Obligations" is not applicable, complete the Seniority Level prompt below)*

Seniority Level: [Senior Level]/[Subordinated Level]

*(If Standard Reference Obligation is not applicable, or if Standard Reference Obligation is applicable, but no Standard Reference Obligation has been published yet, complete the details below)*

[The obligation[s] identified as follows:

- Primary Obligor: [ ]
- Guarantor: [ ]
- Maturity: [ ]
- Coupon: [ ]



- CUSIP/ISIN: [ ]
- Original Issue Amount: [ ]
- (d) Credit Linked Reference Price [ ]%
- (e) Credit Event Determination Date Credit Event Notice: [applicable/not applicable]
- Notice of Physical Settlement [applicable/not applicable]
- Notice of Publicly Available Information: [applicable/not applicable], and if applicable:
- Public Sources of Publicly Available Information [applicable/not applicable]
- Specified Number of Public Sources: [ ]
- (f) Credit Events The following Credit Event[s] shall apply:
- [Bankruptcy]
- [Failure to Pay]
- [Grace Period Extension: [applicable/not applicable]]
- [Grace Period: [ ]]
- Payment Requirement: [ ]
- [Governmental Intervention]
- [Obligation Default]
- [Obligation Acceleration]
- [Repudiation/Moratorium]
- [Restructuring]
- [Default Requirement: [ ]]
- Multiple Holder Obligation: [Applicable/Not Applicable]
- Mod Mod R: [Applicable/Not Applicable]
- Mod R: [Applicable/Not Applicable]

Credit Linked Condition 13 (*Credit Event Notice After Restructuring Credit Event*): [Applicable/Not Applicable]

[Insert other details]

- (g) Credit Event Backstop Date [Applicable] [Not Applicable]
- (h) Calculation Agent City [Johannesburg]
- (i) All Guarantees [Applicable] [Not Applicable]
- (j) Obligation(s)
- | Obligation Category<br>(Select only one)            | Obligation Characteristics<br>(Select all that apply)                           |
|---|---|
| <input type="checkbox"/> Payment                    | <input type="checkbox"/> Not Subordinated                                       |
| <input type="checkbox"/> Borrowed Money             | <input type="checkbox"/> Specified Currency [ ]                                 |
| <input type="checkbox"/> Reference Obligations Only | <input type="checkbox"/> Not Sovereign Lender                                   |
| <input type="checkbox"/> Bond                       | <input type="checkbox"/> Not Domestic Currency<br>[Domestic Currency means [ ]] |
| <input type="checkbox"/> Loan                       | <input type="checkbox"/> Not Domestic Law                                       |
| <input type="checkbox"/> Bond or Loan               | <input type="checkbox"/> Listed   |
|   | <input type="checkbox"/> Not Domestic Issuance                                  |
- Additional Obligations [ ]
- Excluded Obligations [ ]
- (k) Accrual of interest upon Credit Event [Applicable]/[Not Applicable]
- (l) Financial Reference Entity Terms [Applicable]/[Not Applicable]
- (m) Subordinated European Insurance Terms [Applicable]/[Not Applicable]
- (n) 2019 Narrowly Tailored Credit Event Provisions [Applicable]/[Not Applicable]

*(If the 2019 Narrowly Tailored Credit Event Provisions apply, complete the prompts below)*

- [Fallback Discounting: [Applicable]/[Not Applicable]]
- Credit Deterioration Requirement:  
[Applicable]/[Not Applicable]]
- (o) Additional Provisions for Senior Non-Preferred Reference Obligations [Applicable]/[Not Applicable]
- (p) Reference Obligation Only Termination Amount [ ]
- (q) Settlement Method [Auction Settlement] [Cash Settlement] [Physical Settlement]
- (If Auction Settlement is specified, complete the prompts below:*
- [Local Market Variation: [Applicable]/[Not Applicable]]
- (r) Fallback Settlement Method [Cash Settlement] [Physical Settlement] [Not Applicable]
46. Terms Relating to Cash Settlement:
- (a) Final Price (if different from the definition in the Programme Memorandum) [ ]
- (b) Valuation Date [Single Valuation Date:  
[ ] Business Days]  
[Multiple Valuation Dates:  
[ ] Business Days; and  
each [ ] Business Days thereafter  
Number of Valuation Dates: [ ]]
- (c) Valuation Observation Period Obligation Settlement [ [ ] Business Days]
- (d) Valuation Time [ ]
- (e) Quotation Method [Bid][Offer][Mid-market]

- (f) Quotation Amount [ ] [ Representative Amount]
- (g) Minimum Quotation Amount [ ]
- (h) Indicative Quotation [Applicable/Not Applicable]
- (i) Quotation Dealer(s) [ ]
- (j) Settlement Currency [ ]
- (k) Cash Settlement Date [ ] Business Days
- (l) Cash Settlement Amount [ ]
- (m) Quotations [Include Accrued Interest] [Exclude Accrued Interest]
- (n) Valuation Method [Market] [Highest]  
[Average Market] [Highest] [Average Highest]

47. Terms Relating to Physical Settlement:

- (a) Physical Settlement Date [ ] [Business Days]
- (b) Physical Settlement Period [ ] [Business Days]
- (c) Entitlement [Include Accrued Interest] [Exclude Accrued Interest]
- (d) Deliverable Obligation(s)
 

Deliverable Obligation Category (Select only one)	Deliverable Obligation Characteristics (Select all that apply)
--	---

*(Complete where Cash Settlement or Physical Settlement is the applicable Settlement Method or Fallback Settlement Method)*

- |                               |   |
|-------------------------------|---|
| [ ] Payment                   | [ ] Not Subordinated  |
| [ ] Borrowed Money            | [ ] Specified Currency<br>[ ]                                 |
| [ ] Reference Obligation Only | [ ] Not Sovereign Lender                                      |
| [ ] Bond                      | [ ] Not Domestic Currency<br>[Domestic Currency means<br>[ ]] |
| [ ] Loan                      | [ ] Not Domestic Law  |

- Bond or Loan
- Listed
- Not Domestic Issuance
- Assignable Loan
- Consent Required Loan
- Direct Loan Participation
- Qualifying Participation Seller:
- Transferable
- Maximum Maturity
- Accelerated or Matured
- Not Bearer

- (e) Asset Package Delivery [Applicable]/[Not Applicable]
- (f) Sovereign No Asset Package Delivery [Applicable]/[Not Applicable]
- (g) Additional Deliverable Obligations [ ]
- (h) Excluded Deliverable Obligations [ ]
- (i) Other terms [ ]
- (j) Other Provisions [ ]

**FX LINKED REDEMPTION NOTES:** [Applicable/Not Applicable]

*(If Not Applicable, (i) insert "Paragraph 48 is intentionally deleted" and (ii) delete paragraph 48)*

48. FX Linked Redemption Notes

- (a) FX Final Redemption Amount [ ]
- (b) Base Currency [ ]/[Not Applicable]
- (c) Subject Currency/Currencies [ ]/[Not Applicable]
- (d) Redemption Valuation Date [ ]/[Not Applicable]

- (e) Averaging Averaging [applies][does not apply] to the Notes. [The Averaging Dates are *[specify]*] [and the Weighting is *[specify]*]
- (f) Observation Date(s) [ ]/[Not Applicable]
- (g) Observation Period(s) [ ]/[Not Applicable]
- (h) Strike Date [ ]/[Not Applicable]
- (i) Strike Period [and Strike Days] [*Specify Strike Period*][Not Applicable][*Specify the applicable Strike Days in the Strike Period*]
- (j) Disruption and Settlement (*Where there is more than one Subject Currency, complete as relevant for each Subject Currency*)
- (i) Delayed Redemption on the Occurrence of a Disruption Event [Applicable]/[Not Applicable]
- (ii) Provisions applicable to determining the Settlement Price For the purpose of the definition of "Settlement Price" in the FX Linked Note Conditions [and *[specify the relevant Subject Currency where more than one Subject Currency]*]:
- FX Price Source: [ ]
- Valuation Time: [ ]
- Scheduled Trading Day Jurisdiction: [ ]
- (iii) Disruption Events [Price Source Disruption]
- [Illiquidity Disruption]
- [Dual Exchange Rate]
- [General Inconvertibility]
- [General Non-Transferability]
- [Material Change in Circumstance]
- [Nationalisation]
- [Price Materiality, where:
- Price Materiality Percentage: *[specify]*[3] per cent.

Primary Rate: *[specify]* [The rate determined as set out in the definition of "Settlement Price"]

Secondary Rate: *[specify]* [First Fallback Reference Price [and]] [Second Fallback Reference Price]

[Benchmark Obligation Default, where:

Benchmark Obligation: *[specify]*]

[Governmental Authority Default]

[Inconvertibility/Non-Transferability]

[Specific Inconvertibility]

[Specific Non-Transferability]

*(Specify in respect of each Subject Currency where there is more than one Subject Currency and different Disruption Events (or components thereof) also apply thereto)*

(iv) Disruption Fallbacks

[In respect of *[state Disruption Event(s)]*: [Calculation Agent Determination]

[In respect of *[state Disruption Event(s)]*: [First Fallback Reference Price, where:

First Fallback FX Price Source: [ ]

First Fallback Valuation Time: [ ]

First Fallback Number of Settlement Days: [ ]]

[In respect of *[state Disruption Event(s)]*: [Second Fallback Reference Price, where:

Second Fallback FX Price Source: [ ]

Second Fallback Valuation Time: [ ]

Second Fallback Number of Settlement Days: [ ]]

[In respect of *[state Disruption Event(s)]*: [Valuation Postponement]

[In respect of [state Disruption Event(s)]:  
[Settlement Postponement]

*Specify in respect of each Subject Currency where there is more than one Subject Currency and different Disruption Events (or components thereof) also apply thereto)*

(v) FX Deliverable Obligations

[Specify]/[Not Applicable]

*(If not applicable, delete remaining subparagraphs)*

[Face Amount: *specify*]

[Delivery provisions for FX Deliverable Obligations if different from FX Linked Note Conditions: *specify*]

(vi) Maximum Days of Postponement

[ ]

*(Specify in respect of each Subject Currency where there is more than one Subject Currency and different Disruption Fallbacks (or components thereof) also apply thereto)*

(vii) Cumulative Events

[Not Applicable]/[Applicable and Maximum Cumulative Days of Postponement means [ ]]

*(Specify in respect of each Subject Currency where there is more than one Subject Currency and different Disruption Fallbacks (or components thereof) also apply thereto)*

(viii) Number of Settlement Days

[Two][Zero]*specify other* [where Settlement Day Centre(s) means [ ]]

(ix) Number of Postponement Settlement Days

[[Two]/ [ ]] [Business Days]/[Settlement Days]/ [ ]

(x) Maximum Days of Settlement Postponement

[ ]

## 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, Exchangeable Notes, Credit

[ ]



Linked Notes, Equity Linked Notes or FX Linked Notes or if the Notes are a combination of any of the foregoing, set out the relevant description and any additional terms and conditions relating to such Notes.

**PROVISIONS REGARDING REDEMPTION/MATURITY**

50. Redemption at the Option of the Issuer (Call Option) [Applicable/Not Applicable]

If applicable:

(a) Optional Redemption Date(s) (Call) [ ]

(b) Optional Redemption Amount(s) (Call) and method, if any, of calculation of such amount(s) [ ]

(c) Minimum period of notice (if different from Condition 7.3 (*Early Redemption at the option of the Issuer (Call Option)*)) [ ]

(d) If redeemable in part: [ ]

(i) Minimum Redemption Amount(s) [ ]

(ii) Higher Redemption Amount(s) [ ]

(e) Other terms applicable on Redemption [ ]

51. Redemption at the option of the Noteholders (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 7.4 (*Early Redemption at the option of Noteholders (Put Option)*))
- (d) If redeemable in part:
- (i) Minimum Redemption Amount(s) [ ]
- (ii) 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 for taxation reasons and/or change of law or on Event of Default and/or following an Equity Index Adjustment Event and/or the method of calculating same (if required or if different from that set out in Condition 7.7 (*Early Redemption Amounts*)) [ ] (*N.B. In the case of Equity Linked or where otherwise relevant, consider whether appropriate to deduct the cost to the Issuer [and/or its Affiliates] of unwinding or adjusting any underlying or related funding and/or hedging arrangements in respect of the Notes*)

#### **ADDITIONAL FALLBACK PROVISIONS**

53. Additional Fallback Provisions: [Applicable/Not Applicable]  
(specify "*Applicable*" where Annex 4 applies)
- (i) Relevant Benchmark: [ ]

#### **GENERAL**

54. Form of Notes [Bearer Notes:  
[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]]

**[Registered Notes:**

Global Registered Note Certificate exchangeable for individual Note Certificates in the limited circumstances specified in the Global Registered Note Certificate]

55. Business Centre [ ]
56. Additional Business Centre [ ]
57. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes] [No]
58. Other terms or special conditions [ ]
59. Receipts attached? If yes, number of Receipts attached [Yes/No]
60. Coupons attached? If yes, number of Coupons attached [Yes/No]
61. Credit Rating assigned to the Issuer/Notes/Programme (if any) Moody's Investor Services Inc. rating assigned to the Issuer: [ ]
62. Date of Issue of Credit Rating and Date of Next Review Moody's ratings obtained on [ ].
63. Governing law (if the laws of England and Wales are not applicable) [ ]
64. Other Banking Jurisdiction [ ]
65. Equity Linked Note Noteholder Representation By its acquisition of an Equity Linked Note each Noteholder is deemed to represent to the Issuer that:
- (i) it is not doing so based on inside information as contemplated in any legislation or regulations governing insider trading or any comparable legislation or regulation in any applicable jurisdiction;

- (ii) it is not involved in any form of market manipulation or market abuse as contemplated in any legislation or regulations governing market manipulation or market abuse or any comparable legislation or regulation in any applicable jurisdiction;
- (iii) it is not in possession of information relating directly or indirectly to a Share and/or Share Company which has not been made public and which if it were made public would be likely either to be used by a reasonable investor to make investment decisions in respect of the relevant Share or to have a significant effect on the price of the relevant Shares; and
- (iv) it has complied with all disclosure and reporting requirements involving the relevant Shares and the relevant Share Company, which may be relevant to the acquisition or selling of the Equity Linked Note in accordance with applicable legal and regulatory provisions or in accordance with any securities exchange regulation, including disclosure requirements imposed under market abuse rules or legal and regulatory provisions relating to the transparency of shareholding of Share Companies listed in any applicable jurisdiction

66. Other provisions

[ ]

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement. [*Relevant third party information*] has been extracted from (*specify source*). The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by (*specify source*), no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed at [ ] on this [ ] day of [ ].

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

By:  
Name:  
Who warrants his/her authority hereto.

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

By:  
Name:  
Who warrants his/her authority hereto.

## PART B – OTHER INFORMATION

### LISTING AND ADMISSION TO TRADING

[Application [has been/will be] made for the Notes to be listed and admitted to trading on the Luxembourg Stock Exchange's Euro MTF with effect from, the earliest, the Issue Date. No assurances can be given that such application for listing and admission to trading will be granted (or, if granted, will be granted by the Issue Date.

The Issuer has no duty to maintain the listing (if any) of the Notes on the relevant stock exchange(s) over their entire lifetime. Notes may be suspended from trading and/or de-listed at any time in accordance with applicable rules and regulations of the relevant stock exchange(s).<sup>1</sup>[Not Applicable]

### RATINGS

[ ]

### INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

### REASONS FOR THE ISSUE AND ESTIMATED NET PROCEEDS

[(i) Reasons for the issue: [Not Applicable]

*(See "Use of Proceeds" - if reasons for issue different from making profit will need to include those reasons here)*

[(ii) Estimated net proceeds: [Not Applicable/[●]]

*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)<sup>1</sup>*

### OPERATIONAL INFORMATION

International Securities Identification Number (ISIN) [ ]

Common Code [ ]

Instrument Code [ ]

---

<sup>1</sup> Include if listed on the Luxembourg Stock Exchange's Euro MTF.

Financial Exchange	[Not Applicable] [Luxembourg Stock Exchange]
Relevant sub-market of the Financial Exchange	[Not Applicable] [Interest Rates Market]
Clearing System	[Euroclear/Clearstream, Luxembourg]
Delivery:	Delivery [against/free of] payment
Principal Paying Agent	[The Bank of New York Mellon]
Specified Office of the Principal Paying Agent	[ ]
Registrar	[The Bank of New York Mellon S.A./N.V., Luxembourg Branch]
Specified Office of the Registrar	[ ]

The Agents appointed in respect of the Securities are: As set out in the Agency Agreement

**DISTRIBUTION**

Dealer	[The Standard Bank of South Africa Limited (acting through it Corporate and Investment Banking Division) / <i>[Specify other]</i> ]
Method of Distribution	[Dutch Auction] [Bookbuild] [Private Placement]
If syndicated, names of managers	[ ]
Stabilisation Manager (if any)	[ ]
United States selling restrictions	[Regulation S. Category 2; [TEFRA D]/[TEFRA C]/[TEFRA not applicable]]
Additional selling restrictions	[ ]

## Annex

*This Annex shall be included after publication of any supplements to the Programme Memorandum dated 14 September 2020.*

The Programme Memorandum dated 14 September 2020 has been supplemented by the following Supplement(s):

Supplement	Description	Date
Supplement No. [●]	[●]	[●]



## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes, which will include the additional terms and conditions contained in Annex 1 in the case of Credit Linked Notes, Annex 2 in the case of Equity Linked Notes and the additional terms and conditions contained in Annex 3 in the case of FX Linked 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 AND GENERAL 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:

<b>Additional Business Centre(s)</b>	the city or cities specified as such in the Applicable Pricing Supplement;
<b>Agency Agreement</b>	the amended and restated issue and paying agency agreement dated 14 September 2020 and made between The Bank of New York Mellon S.A./N.V., Luxembourg Branch as registrar (the " <b>Registrar</b> ", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon as principal paying agent (the " <b>Principal Paying Agent</b> ", which expression includes any successor principal paying agent appointed from time to time in connection with the Notes) and the paying agents names therein (together with the Principal Paying Agent, the " <b>Paying Agents</b> ", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the " <b>Agents</b> " are to the Registrar, the Principal Paying Agent and the Paying Agents and any reference to " <b>an Agent</b> " is to any one of them;
<b>Applicable Laws</b>	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;
<b>Applicable Supplement</b>	<b>Pricing</b>	the Pricing Supplement relating to each Tranche of Notes;
<b>Applicable Procedures</b>		the rules, listing requirements and operating procedures from time to time of Clearstream, Luxembourg, Euroclear, the Luxembourg Stock Exchange and/or any Financial Exchange, as the case may be;
<b>Banks Act</b>		the Banks Act, 1990 of South Africa (as amended, supplemented, revised or republished from time to time);
<b>Bearer</b>		the bearer of a Certificate evidencing a Bearer Note or of a Receipt or Coupon attached to such Certificate on issue;
<b>Bearer Note</b>		a Note (whether in definitive or in global form) payable to the Bearer thereof 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 Certificate evidencing such Bearer Note;
<b>Beneficial Interest</b>		in relation to a Tranche of Notes which is represented by a Global Certificate held on behalf of Euroclear and Clearstream, Luxembourg, the beneficial interest in such Notes of each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error);
<b>Business Day</b>		a day (other than a Saturday or Sunday or public holiday within the meaning of the Public Holidays Act, 1994) which is a day on which commercial banks settle ZAR payments in Johannesburg and a day (other than a Saturday or Sunday or a public holiday) which is a day on which commercial banks settle local currency payments in any Additional Business Centre specified in the Applicable Pricing Supplement save that if the Payment 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 country of the relevant Payment Currency and in each (if any) Additional Business Centre or, in relation to any sums payable in euro, a day on which the Trans-European Automated Real Time Gross Settlement Express Transfer ("**TARGET2**") system, (the "**TARGET2 System**") is open, 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 7.3 (*Early Redemption at the option of the Issuer (Call Option)*);

**Certificate**

a Global Certificate or Individual Certificate;

**Change in Law**

the Calculation Agent determines in good faith that the performance of the Issuer's obligations under the Notes or that any arrangements made to hedge the Issuer's obligations under the Notes has or will become unlawful, illegal or otherwise prohibited in whole or in part as a result of compliance with any applicable present or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power, or in the interpretation thereof;

**Class of Noteholders**

the holders of a Series of Notes or, where appropriate, the holders of different Series of Notes;

**Clearstream, Luxembourg**

Clearstream Banking, *société anonyme*;

**Companies Act**

the Companies Act, 2008 of South Africa (as amended, supplemented, revised or republished from time to time);

**Coupon**

an interest coupon evidencing title to an interest payment in respect of an interest bearing Note which is a Bearer Note, attached on issue to the Certificate evidencing such interest bearing Note;

**Credit Linked Notes**

Notes specified as Credit Linked Notes in the Applicable Pricing Supplement and more fully described in Annex 1 (*Additional Terms for Credit Linked Notes*);

**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 that 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);

<b>Deed of Covenant</b>	means the deed of covenant dated 23 August 2017 (as amended and/or supplemented and/or restated as at the Issue Date) given by the Issuer in relation to Notes cleared through Euroclear Bank SA/NV or Clearstream Banking, <i>société anonyme</i> , as the case may be;
<b>Designated Maturity</b>	has the meaning ascribed thereto in the Applicable Pricing Supplement as such;
<b>Early Redemption Amount</b>	the amount at which the Notes will be redeemed by the Issuer pursuant to the provisions of Conditions 7.2 ( <i>Redemption following the occurrence of a Tax Event and/or Increased Cost Event and/or Change in Law</i> ), 7.3 ( <i>Early Redemption at the option of the Issuer (Call Option)</i> ) and 7.4 ( <i>Early Redemption at the option of Noteholders (Put Option)</i> ) and/or Condition 11 ( <i>Events of Default</i> ), determined in accordance with Condition 7.7 ( <i>Early Redemption Amounts</i> ) or as set out in the Applicable Pricing Supplement;
<b>Equity Linked Interim Amount Notes</b>	Notes specified as Equity Linked Interim Amount Notes in the Applicable Pricing Supplement and more fully described in General Condition 6.2.6 ( <i>Equity Linked Interim Amounts</i> ) and Annex 2 ( <i>Additional Terms for Equity Linked Notes</i> );

<b>Equity Linked Notes</b>	Notes that are Equity Linked Interim Amount Notes and/or Equity Linked Redemption Notes;
<b>Equity Linked Redemption Notes</b>	Notes specified as Equity Linked Redemption Notes in the Applicable Pricing Supplement and more fully described in Annex 2 ( <i>Additional Terms for Equity Linked Notes</i> );
<b>EUR and euro</b>	means the lawful single currency of the member states of the European Union that have adopted and continue to retain a common single currency through monetary union in accordance with European Union treaty law (as amended from time to time).
<b>Euroclear</b>	Euroclear Banking, S.A./N.V.;
<b>Event of Default</b>	an event of default by the Issuer as set out in Condition 11 ( <i>Events of Default</i> );
<b>Exchangeable Notes</b>	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;
<b>Exchange Period</b>	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;
<b>Exchange Price</b>	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;
<b>Exchange Securities</b>	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;
<b>Extraordinary Resolution</b>	has the meaning given to it in the Agency Agreement;
<b>Final Broken Amount</b>	the amount specified as such in the Applicable Pricing Supplement;
<b>Final Redemption Amount</b>	the amount of principal payable in respect of each Note upon final redemption thereof, as specified in the Applicable Pricing Supplement;
<b>Financial Exchange</b>	the Luxembourg Stock Exchange Euro MTF and/or such other or further financial exchange(s) as may be selected by the Issuer, subject to Applicable Laws;

<b>Financial Markets Act</b>	the Financial Markets Act, 2012 of South Africa (as amended, supplemented, revised or republished from time to time);
<b>Fixed Coupon Amount</b>	has the meaning ascribed thereto in the Applicable Pricing Supplement;
<b>Fixed Rate Notes</b>	Notes which will bear interest at one or more fixed rates, as specified in the Applicable Pricing Supplement and more fully described in Condition 6.1 ( <i>Interest on Fixed Rate Notes</i> );
<b>Floating Rate Notes</b>	Notes which will bear interest as specified in the Applicable Pricing Supplement and more fully described in Condition 6.2 ( <i>Interest on Floating Rate Notes, Indexed Notes and FX Linked Interest Notes and Interim Amounts payable in respect of Equity Linked Notes</i> );
<b>FX Linked Interest Notes</b>	Notes in respect of which the amount of interest payable is calculated by reference to one or more foreign exchange rates as set out in the Applicable Pricing Supplement;
<b>FX Linked Notes</b>	FX Linked Interest Notes and/or FX Linked Redemption Notes, as the case may be;
<b>FX Linked Redemption Notes</b>	Notes in respect of which the Final Redemption Amount is calculated by reference to one or more foreign exchange rates as set out in the Applicable Pricing Supplement;
<b>Global Certificate</b>	<p>(a) <i>in respect of Registered Notes</i>: in relation to a Tranche of Notes which is represented by a Global Certificate held on behalf of Euroclear and Clearstream, Luxembourg, a certificate in registered form and registered in the name of a common nominee for Euroclear and/or Clearstream, Luxembourg, representing all of the Notes in that Tranche (other than those Notes in that Tranche (if any) represented by Individual Note Certificates; and</p> <p>(b) <i>in respect of Bearer Notes</i>: in relation to a Tranche of Notes which is represented by a Global Certificate held on behalf of Euroclear and Clearstream, Luxembourg, a certificate in definitive bearer form, representing all of the Notes in that Tranche (other than those Notes in that Tranche (if any) represented by Individual Note Certificates.</p>
<b>Implied Yield</b>	the yield accruing on the Issue Price of Zero Coupon Notes, as specified in the Applicable Pricing Supplement;
<b>Income Tax Act</b>	The Income Tax Act, 1962 (as amended, supplemented, revised or republished from time to time);

<b>Increased Cost Event</b>	on, or after the Issue Date of the first Tranche of Notes in any Series of Notes, (a) due to the adoption of or any change in any Applicable Law or regulation (including, without limitation, any tax law), or (b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any Applicable Law or regulation (including any action taken by a taxing authority), the Issuer determines in good faith that it will incur a materially increased cost in performing its obligations under such Notes (including, without limitation, due to any tax liability, decrease in tax benefit or other adverse effect on its tax position);
<b>Indexed Interest Notes</b>	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;
<b>Indexed Notes</b>	an Indexed Interest Note and/or an Indexed Redemption Amount Note, as applicable;
<b>Indexed Redemption Amount Notes</b>	Notes in respect of which the Final Redemption Amount is calculated by reference to an index and/or a formula as specified in the Applicable Pricing Supplement;
<b>Individual Certificate</b>	<p>(a) <i>in respect of Registered Notes</i>: a Note in the definitive registered form of a single Certificate and, in respect of Registered Notes represented by a Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, being a Certificate exchanged for a Beneficial Interest in the Notes represented by such Global Certificate and any further Certificate issued in consequence of a transfer thereof;</p> <p>(b) <i>in respect of Bearer Notes</i>: a Note in the definitive bearer form of a single Certificate together with Coupons and/or Receipts, if applicable and, in respect of Bearer Notes represented by a Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, being a Certificate exchanged for a Beneficial Interest in the Notes represented by such Global Certificate;</p>
<b>Initial Broken Amount</b>	the amount specified as such in the Applicable Pricing Supplement;
<b>Instalment Amount</b>	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;



<b>Instalment Notes</b>	Notes redeemable in Instalment Amounts by the Issuer on an amortised basis on different Instalment Dates, as specified in the Applicable Pricing Supplement;
<b>Interest Amount</b>	in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;
<b>Interest Commencement Date</b>	the first date from which interest on the Notes, other than Zero Coupon Notes, will accrue, as specified in the Applicable Pricing Supplement;
<b>Interest Determination Date</b>	means the date specified in the Applicable Pricing Supplement;
<b>Interest Payment Date</b>	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);
<b>Interest Period</b>	unless otherwise specified in the Applicable Pricing Supplement, each period from and including one Interest Payment Date to but excluding the next Interest Payment Date; provided that the first Interest Period shall commence on (and include) the Interest Commencement Date and end on (but exclude) the following Interest Payment Date and the last Interest Period shall end on (but exclude) the last Interest Payment Date;
<b>Interest Rate</b>	the rate or rates of interest applicable to Notes other than Zero Coupon Notes, as indicated in the Applicable Pricing Supplement;
<b>Interim Amount</b>	in relation to an Equity Linked Interim Amount Note and an Interim Amount Payment Date, the interim amount payable in respect of that Note for that Interim Amount Payment Date;
<b>Interim Amount Payment Date</b>	if applicable in relation to a Tranche of Equity Linked Interim Amount Notes, the date(s) specified in the Applicable Pricing Supplement as may be adjusted in accordance with the relevant Business Day Convention (as specified in the Applicable Pricing Supplement);
<b>ISDA</b>	International Swaps and Derivatives Association, Inc.;
<b>ISDA Definitions</b>	means the definitions specified in the Applicable Pricing Supplement, as amended and supplemented from time to time, provided that if no definitions are so specified, the 2006

	ISDA Definitions published by ISDA, as amended and supplemented from time to time;
<b>Issue Date</b>	has the meaning ascribed thereto in the Applicable Pricing Supplement;
<b>Issue Price</b>	means the price specified in the Applicable Pricing Supplement, this being the price at which the Issuer issues the Notes referred to in that Pricing Supplement;
<b>Issuer</b>	The Standard Bank of South Africa Limited (registration number 1962/000738/06), a public company incorporated in accordance with the laws of South Africa;
<b>Local Time</b>	means the time in the city in which the Principal Paying Agent has its Specified Office;
<b>London Business Days</b>	means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in London;
<b>Luxembourg Paying Agent</b>	The Bank of New York Mellon S.A./N.V., Luxembourg Branch
<b>Mandatory Exchange</b>	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;
<b>Margin</b>	has the meaning ascribed thereto in the Applicable Pricing Supplement;
<b>Maturity Date</b>	has the meaning ascribed thereto in the Applicable Pricing Supplement;
<b>Minimum Interim Amount</b>	has the meaning ascribed thereto in the Applicable Pricing Supplement;
<b>Maximum Interim Amount</b>	has the meaning ascribed thereto in the Applicable Pricing Supplement;
<b>Minimum Redemption Amount</b>	has the meaning ascribed thereto in the Applicable Pricing Supplement;
<b>Mixed Rate Notes</b>	Notes which will bear interest over respective periods at differing interest rates applicable to any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Indexed Notes, Equity Linked Interim Amount Notes or FX Linked Interest Notes, each as specified in the Applicable Pricing Supplement and as more fully described in Condition 6.3 ( <i>Interest on Mixed Rate Notes</i> );

<b>Nominal Amount</b>	in relation to any Note, the total amount, excluding interest owing by the Issuer under the Note, as specified in the Applicable Pricing Supplement;
<b>Non-U.S. Certification</b>	a certification (substantially in the form provided by the Paying Agent) from the relevant Noteholder that, in the case of its Notes, such Notes are not being exercised or redeemed (as applicable) in the United States or by or on behalf of any U.S. Person, that the payment or delivery with respect to such Notes will not be made in the United States or to, or for the account of, a U.S. Person, that none of such Notes were purchased in the United States and that the Noteholder was not solicited to purchase such Notes in the United States;
<b>Noteholders and holder</b>	the holders of the Registered Notes (as recorded in the Register) and/or the Bearers of the Bearer Notes and/or the holders of Beneficial Interests therein;
<b>Noteholders' Exchange Right</b>	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;
<b>Notes</b>	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);
<b>Optional Redemption Amount (Call)</b>	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;
<b>Optional Redemption Amount (Put)</b>	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;
<b>Optional Redemption Date(s) (Call)</b>	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 7.3 ( <i>Early Redemption at the option of the Issuer (Call Option)</i> ). 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 7.3 ( <i>Early Redemption at the option of the Issuer (Call Option)</i> );
<b>Optional Redemption Date(s) (Put)</b>	the date(s) specified as such in the Applicable Pricing Supplement in relation to a Tranche of Notes pursuant to which the Noteholders are specified as having an option to

redeem in accordance with Condition 7.4 (*Early Redemption at the option of Noteholders (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 Notes or the relevant portion of such Tranche of Notes, as the case may be, in the Put Notice;

## **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 wherefore (including all interest (if any) accrued thereon to the date for such redemption and any interest (if any) payable under the Terms and Conditions after such date) remain available for payment against presentation of Certificates;
- (c) those which have been purchased and cancelled as provided in Condition 7.12 (*Cancellation*);
- (d) those which have become void under Condition 10 (*Prescription*);

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 14 (*Meetings of Noteholders*) and 15 (*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**

In respect of Notes represented by a Global Certificate held on behalf of Euroclear and Clearstream, Luxembourg, an accountholder with Euroclear and/or Clearstream, Luxembourg, as the case may be;

<b>Partly Paid Notes</b>	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);
<b>Payment Currency</b>	South African Rand or, subject to all Applicable Laws such other currency as specified in the Applicable Pricing Supplement;
<b>Payment Day</b>	any day which is a Business Day and upon which a payment is due by the Issuer in respect of the Notes;
<b>Payment Disruption Event</b>	<p>means any of:</p> <ul style="list-style-type: none"> <li>(a) an event in relation to a Relevant Payment Jurisdiction which has the effect of preventing, restricting or delaying the Calculation Agent or Issuer from: <ul style="list-style-type: none"> <li>(i) converting a Relevant Currency into another Relevant Currency through customary legal channels; or</li> <li>(ii) converting a Relevant Currency into another Relevant Currency at a rate at least as favourable as the rate for domestic institutions located in the Relevant Payment Jurisdiction; or</li> <li>(iii) delivering any Relevant Currency from accounts inside the Relevant Payment Jurisdiction to accounts outside the Relevant Payment Jurisdiction; or</li> <li>(iv) delivering a Relevant Currency between accounts inside the Relevant Payment Jurisdiction or to a party that is a non-resident of the Relevant Payment Jurisdiction;</li> </ul> </li> <li>(b) the imposition by the Relevant Payment Jurisdiction (or any political or regulatory authority thereof) of any capital controls, or the publication of any notice of an intention to do so, which the Calculation Agent determines is likely to materially affect the Notes, and notice thereof is given by the Issuer to the Noteholders in accordance with Condition 13 (<i>Notices</i>); and</li> <li>(c) the implementation by the Relevant Payment Jurisdiction (or any political or regulatory authority thereof) or the publication of any notice of an intention to implement any changes to the laws or regulations relating to foreign investment in the</li> </ul>

Relevant Payment Jurisdiction (including, but not limited to, changes in tax laws and/or laws relating to capital markets and corporate ownership), which the Calculation Agent determines are likely to affect materially the Issuer's ability to hedge its obligations under the Notes; and

- (d) an event as a result of which the Issuer is prohibited, unable, or otherwise fails to make any payment, or any portion thereof under the Notes, or to perform any other obligation under the Notes because or arising out of an act of war, insurrection or civil strife, an action by any government or governmental authority or instrumentality thereof (whether de jure or de facto), legal constraint, terrorism, riots or catastrophe;

**Payment Disruption Event Cut-Off Date** means the date which is one year after the Maturity Date or any other date which is the last date on which amounts under the Notes would be due and payable by the Issuer if not for the occurrence of a Payment Disruption Event, as determined by the Calculation Agent;

**Payment Disruption Event Payment Date** means, in respect of a Payment Disruption Event Cut-Off Date, the tenth Business Day immediately following such Payment Disruption Event Cut-Off Date, as determined by the Calculation Agent;

**Payment Disruption Valuation Date** means, in respect of a Payment Disruption Event Payment Date, the second Business Day immediately preceding such Payment Disruption Event Payment Date, as determined by the Calculation Agent;

**Payment Expenses** means all any costs, expenses or liabilities incurred or to be incurred by the Calculation Agent or Issuer in connection with or arising from the delivery and/or transfer of any payment amounts;

**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;

**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 USD 1,000,000,000 Structured Note Programme;

<b>Programme Amount</b>	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, USD 1,000,000,000 (or its equivalent in other currencies) or such increased amount as is determined by the Issuer from time to time, subject to the Applicable Procedures, Applicable Law and the Programme Agreement, as set out in the section of this Programme Memorandum headed " <i>General Description of the Programme</i> ".
<b>Programme Date</b>	14 September 2020;
<b>Programme Memorandum</b>	this programme memorandum dated 14 September 2020 which will apply to all Notes issued under the Programme on or after the Programme Date;
<b>Put Option</b>	if specified as applicable in the Applicable Pricing Supplement, the option of a Noteholder of Notes to require the Issuer to redeem the 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 7.4 ( <i>Early Redemption at the option of Noteholders (Put Option)</i> );
<b>Put Notice</b>	a notice which must be delivered to the Paying Agent by any Noteholder wanting to exercise the Put Option;
<b>Receipt</b>	a receipt evidencing title to payment of an Instalment Amount payable on an Instalment Note which is a Bearer Note, attached upon issue to the Certificate evidencing such Instalment Note;
<b>Redemption Amount</b>	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;
<b>Reference Price</b>	has the meaning ascribed thereto in the Applicable Pricing Supplement;
<b>Reference Banks</b>	(a) for the purposes of Screen Rate Determination, means, in the case of a determination of ZAR-JIBAR-SAFEX, the principal Johannesburg office of four major banks in the Reference Rate Market, in the case of a determination of USD-LIBOR-BBA, the principal London office of four major banks in the Reference Rate Market, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Reference Rate Market, in each case selected by the Calculation Agent and in the case of a determination of a Reference Rate that is not ZAR-JIBAR-

SAFEX, USD-LIBOR-BBA or EURIBOR, the principal office of four major banks in the Reference Rate Market; or

- (b) otherwise, has the meaning ascribed thereto in the Applicable Pricing Supplement;

**Reference Rate** has the meaning ascribed thereto in the Applicable Pricing Supplement;

**Reference Rate Market** means, the Johannesburg inter-bank market, in the case of a determination of ZAR-JIBAR-SAFEX, the London inter-bank market, in the case of a determination of USD-LIBOR-BBA, the Euro-zone inter-bank market, in the case of a determination of EURIBOR, or the inter-bank market specified in the Applicable Pricing Supplement, in all other cases;

**Register** means the register maintained by the Registrar in respect of the Notes in accordance with the Agency Agreement;

**Registrar** The Bank of New York Mellon S.A./N.V., Luxembourg Branch;

**Registered Note** a Note issued in registered form and transferable in accordance with the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement;

**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, 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 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;



<b>Relevant Clearing System(s)</b>	means the clearing system(s) in which a Global Note for a Series or Tranche of Notes has been deposited as specified in the Applicable Pricing Supplement, which may be Euroclear, Clearstream, Luxembourg, or such other clearing system;
<b>Relevant Currency</b>	the currency specified as such in the relevant Pricing Supplement;
<b>Relevant Date</b>	<p>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 Euroclear and/or Clearstream, Luxembourg, as the case may be, in accordance with these Terms and Conditions, it means the first date on which:</p> <ul style="list-style-type: none"> <li>(a) the full amount of such monies has been received by Euroclear and/or Clearstream, Luxembourg, as applicable;</li> <li>(b) such monies are available for payment to the holders of Beneficial Interests; and</li> <li>(c) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;</li> </ul>
<b>Relevant Jurisdiction</b>	<p><b>Payment</b> means such jurisdiction(s) as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner;</p>
<b>Relevant Screen Page</b>	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;
<b>Relevant Time</b>	has the meaning ascribed thereto in the Applicable Pricing Supplement;
<b>Sanctioning Body</b>	means any one or a combination of the Office of Foreign Assets Control of the Department of Treasury of the United States of America, the United Nations Security Council, the European Union, Her Majesty's Treasury and any other sanctioning body designated by the Issuer, from time to time;
<b>SB Group</b>	Standard Bank Group Limited and any of its subsidiaries;
<b>Scheduled Maturity Date</b>	with respect to Credit Linked Notes, has the meaning ascribed thereto in the Applicable Pricing Supplement;

<b>Series</b>	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;
<b>Solvent Reconstruction</b>	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;
<b>South Africa</b>	means the Republic of South Africa;
<b>Specified Denomination</b>	has the meaning ascribed thereto in the Applicable Pricing Supplement;
<b>Specified Office</b>	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 13 ( <i>Notices</i> );
<b>Specified Time</b>	has the meaning ascribed thereto in the Applicable Pricing Supplement;
<b>Talon</b>	means a talon for further Coupons;
<b>Tax Event</b>	an event where, as a result of a Tax Law Change, (a) the Issuer has paid or will or would on the next Interest Payment Date be required to pay additional amounts as provided or referred to in Condition 9 ( <i>Taxation</i> ); or (b) in respect of the Issuer's obligation to make any payment of interest on the next following Interest Payment Date or any subsequent Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in South Africa, or such entitlement is 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);
<b>Tax Law Change</b>	a change or proposed change in, or amendment or proposed amendment to, the tax laws or regulations of South Africa,

or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such tax laws or regulations (including a holding by a court of competent jurisdiction), which actual or proposed change or amendment becomes effective on or after the date of issue of the Notes;

<b>Trade Date</b>	means the date as specified in the Applicable Pricing Supplement as such;
<b>Tranche</b>	in relation to any particular Series, all Notes which are identical in all respects (including as to listing);
<b>Transfer Form</b>	the written form for the transfer of a Registered Note, in the form approved by the Transfer Agent/Registrar, and signed by the transferor and transferee;
<b>Unwind Costs</b>	means the amount specified in the Applicable Pricing Supplement, or if “ <i>Standard Unwind Costs</i> ” are specified in the Applicable Pricing Supplement, an amount determined by the Calculation Agent equal to the sum of (without duplication) all costs, expenses (including loss of funding), tax and duties incurred by the Issuer or gains, including funding benefits, actually realised by the Issuer, in which case expressed as a negative number, in connection with the redemption of the Notes and the related unwind, termination, settlement, amendment or reestablishment of any hedge or related trading position, such amount to be apportioned <i>pro rata</i> amongst each nominal amount of Notes equal to the Nominal Amount;
<b>USD and U.S. Dollars</b>	means the lawful currency of the United States of America;
<b>USD/Affected Currency Exchange Rate</b>	in respect of any relevant day, the spot USD/Affected Currency exchange rate, expressed as an amount of the Affected Currency per unit of USD, as reported or published by the fixing price sponsor at the relevant time on such day, provided that if no such rate is available on such day, then the Calculation Agent may request each of the Reference Banks (as defined in Condition 1 ( <i>Interpretation and General Definitions</i> )) to provide a firm quotation of the rate at which it will buy one unit of USD in an amount of Affected Currency at the applicable time on such day, based upon each Reference Dealer's experience in the foreign exchange market for the Affected Currency and general activity in such market on such day. If at least two quotations are provided, the relevant rate will be the arithmetic mean of such quotations. If fewer than two quotations are provided, the Calculation Agent may request each of the major banks (as selected by the Calculation Agent) in the relevant market to provide a quotation of the rate at which it will buy one unit of USD in an amount of the Affected Currency at the applicable time on such day. If fewer than two quotations are provided, then the Calculation Agent shall determine the

	USD/ Affected Currency Exchange Rate as of the applicable time on such day in its discretion;
<b>USD Equivalent Amount</b>	in respect of an Affected Amount and the Payment Disruption Event Payment Date, an amount in USD determined by the Calculation Agent by converting the Affected Amount from the currency in which such Affected Amount is denominated in (such currency, the " <b>Affected Currency</b> ") into USD using the USD/Affected Currency Exchange Rate on the Payment Disruption Valuation Date in respect of such Payment Disruption Event Payment Date, as determined by the Calculation Agent;
<b>U.S. Person</b>	any person which is a "U.S. person" as defined in Rule 902(k) of Regulation S (as may be amended from time to time) or any person which is a "United States person" as defined in section 7701(a)(30) of the Code and Treasury regulations thereunder (as may be amended from time to time), as the context requires.
<b>USD-LIBOR-BBA</b>	means the rate for deposits in U.S. Dollars for a period of the Designated Maturity which appears on the Relevant Screen Page at the Relevant Time on the relevant Interest Determination Date, or any successor rate;
<b>ZAR and South African Rand</b>	the lawful currency of South Africa, being South African Rand, or any successor currency;
<b>ZAR-JIBAR-SAFEX</b>	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 11h00, Johannesburg time on the relevant date, or any successor rate; and
<b>Zero Coupon Notes</b>	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.

## 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.
- 2.3 Copies of the Applicable Pricing Supplement are available for inspection at the Specified

Office of the Issuer.

### 3. FORM

3.1 **Bearer Notes:** Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

3.2 **Registered Notes:** Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement.

### 4. TITLE

4.1 **Title to Bearer Notes:** Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.

4.2 **Title to Registered Notes:** The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

4.3 **Ownership:** The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4.4 **Transfers of Registered Notes:** Subject to Condition 4.7 (*Closed periods*) and Condition 4.8 (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar, together with such evidence as the Registrar may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

4.5 **Registration and delivery of Note Certificates:** Within five business days of the surrender of a Note Certificate in accordance with Condition 4.4 (*Transfers of Registered*

*Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "business day" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar has its Specified Office.

4.6 **No charge:** The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

4.7 **Closed periods:** Noteholders may not require transfers to be registered during the period of 15 (fifteen) days ending on the due date for any payment of principal or interest in respect of the Registered Notes.

4.8 **Regulations concerning transfers and registration:** All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

## 5. STATUS OF NOTES

Unless otherwise specified in the Applicable Pricing Supplement, the Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer which will at all times rank *pari passu* without preference or priority among themselves and, save for certain debts required to be preferred by law, rank 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 from time to time outstanding and of general application.

## 6. INTEREST AND INTERIM AMOUNTS

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 or as otherwise specified in 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.

### 6.1 Interest on Fixed Rate Notes

Interest on Fixed Rate Notes will be paid on the Interest Payment Dates specified in the Applicable Pricing Supplement.

### 6.1.1 *Accrual of Interest*

The Notes bear interest from the Interest Commencement Date at the Interest Rate payable in arrears on each Interest Payment Date, subject as provided in Condition 8 (*Payments*).

### 6.1.2 *Fixed Coupon Amount*

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

### 6.1.3 *Calculation of Interest Amount*

The Interest Amount 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 either (i) the Calculation Amount, in the case of Notes represented by Individual Note Certificates or (ii) if the Notes are represented by a Global Certificate, the aggregate outstanding Nominal Amount of the Notes represented by such Global Certificate, and in each case, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Payment Currency (half a sub-unit being rounded upwards) and, if paragraph (i) applies, multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount or, if paragraph (ii) applies, *pro rating* such rounded figure amongst the Notes by reference to the Specified Denomination of such Note relative to the then aggregate Nominal Amount of Notes, provided that:

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

## 6.2 **Interest on Floating Rate Notes, Indexed Notes, FX Linked Interest Notes and Interim Amounts payable in respect of Equity Linked Notes**

### 6.2.1 *Accrual of Interest*

The Notes bear interest from the Interest Commencement Date at the Interest Rate or as otherwise specified in the Applicable Pricing Supplement payable in arrears on each Interest Payment Date, subject as provided in Condition 8 (*Payments*).

### 6.2.2 *Interest Rate for Floating Rate Notes*

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.

### 6.2.3 *ISDA Determination including fallback provisions*

If:

- (i) ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate(s) is/are to be determined; and
- (ii) the Additional Fallback Provisions are specified as “Applicable” in the Applicable Pricing Supplement, subject as provided in the Additional Fallback Provisions (and for these purposes the Floating Rate Option shall be deemed to be a Relevant Benchmark),

the Interest Rate applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if that Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

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

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

### 6.2.4 *Screen Rate Determination including fallback provisions*

If:

- (i) Screen Rate Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate is to be determined, and
- (ii) the Additional Fallback Provisions are specified as “Applicable” in the Applicable Pricing Supplement, subject as provided in the Additional Fallback Provisions (and for these purposes the Reference Rate shall be deemed to be a Relevant Benchmark),

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

- (a) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date); or



- (b) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (c) if, in the case of paragraph (a) above, such rate does not appear on that page or, in the case of (a) 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:
  - (i) request 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 the Specified Time on the Interest Determination Date in question; and
  - (ii) determine the arithmetic mean of such quotations; and
- (d) if fewer than 3 (three) such offered quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Reference Rate Market, selected by the Calculation Agent, at approximately the Specified Time on the first day of the relevant Interest Period for loans in the Payment Currency to leading banks in the Reference Rate 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.

#### 6.2.5 *Indexed Interest*

If:

- (i) the Indexed Note provisions are specified in the Applicable Pricing Supplement as being applicable; and
- (ii) the Additional Fallback Provisions are specified as “Applicable” in the Applicable Pricing Supplement, subject as provided in the Additional Fallback Provisions,

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.

#### 6.2.6 *Equity Linked Interim Amounts*

If:

- (i) the Equity Linked Interim Amount Note provisions are specified in the Applicable Pricing Supplement as being applicable; and

- (ii) the Additional Fallback Provisions are specified as “Applicable” in the Applicable Pricing Supplement, subject as provided in the Additional Fallback Provisions,

the Interim Amount(s) applicable to the Notes for each Interim Amount Payment Date will be determined in the manner specified in the Applicable Pricing Supplement and more fully described in Annex 2 (*Additional Terms for Equity Linked Notes*).

#### 6.2.7 *FX Linked Interest*

If:

- (i) FX Linked Interest Notes are specified in the Applicable Pricing Supplement as being applicable; and
- (ii) the Additional Fallback Provisions are specified as “Applicable” in the Applicable Pricing Supplement, subject as provided in the Additional Fallback Provisions,

the Interest Rate(s) (if any) applicable to the Notes for each Interest Period will be determined in accordance with the manner specified in the Applicable Pricing Supplement.

#### 6.2.8 *Maximum and/or Minimum Interest Rate or Interim Amount*

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.

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

#### 6.2.9 *Determination of Interest Rate or Interim Amount and Calculation of Interest Amount or Interim Amount*

The Calculation Agent will, at or as soon as practicable after each time at which the Interest Rate or Interim Amount is to be determined, determine the Rate of Interest for the relevant Interest Period or the Interim Amount for the relevant Interim Amount Payment Date, as applicable.

The Calculation Agent will calculate the Interest Amount payable in respect of each Note for the relevant Interest Period (a) by applying the Interest Rate for such Interest Period to either (i) the Calculation Amount, in the case of Notes represented by Individual Note Certificates or (ii) if the Notes are represented by a Global Certificate, the aggregate outstanding Nominal Amount of the Notes represented by such Global Certificate, and in each case, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Payment Currency (half a sub-unit being rounded upwards) and, if sub-paragraph (i) applies, multiplying such rounded figure by

a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount or, if sub-paragraph (ii) applies, *pro rating* such rounded figure amongst the Notes by reference to the Specified Denomination of the relevant Note relative to the then aggregate Nominal Amount of Notes or (b) as specified in the Applicable Pricing Supplement.

#### 6.2.10 *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.

#### 6.2.11 *Publication*

The Calculation Agent will cause each Interest Rate or Interim Amount determined by it, together with the relevant Interest Payment Date or Interim Amount Payment Date, as applicable, 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/Registrar, any Financial Exchange on which the relevant Floating Rate Notes are for the time being listed, as soon as possible after their determination and in any event, in the case of Floating Rate Notes, not later than the later of the day that is 3 (three) Business Days before the relevant Interest Payment Date and/or Interim Amount Payment Date and (where applicable) the relevant Interest Determination Date for that Interest Period. Notice thereof shall also promptly be given to the Noteholders in accordance with Condition 13 (Notices).

Each Interest Rate or Interim Amount determined by the Calculation Agent, together with the relevant Interest Payment Date and/or Interim Amount, and any other amount(s) required to be determined by it, together with any relevant payment date(s) shall be made available to the Noteholders in respect of any unlisted Floating Rate Notes promptly upon request.

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 13 (*Notices*). 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.

#### 6.2.12 *Notifications etc. to be final*

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 6.2 (*Interest on Floating Rate Notes, Indexed Notes, FX Linked Interest Notes and Interim Amounts payable in respect of Equity Linked 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.

### 6.3 **Interest on Mixed Rate Notes**

The Interest Rate calculated and each Interest Amount payable from time to time on Mixed Rate Notes shall be the Interest Rate calculated and the Interest Amount payable on any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Indexed Notes, Equity Linked Interim Amount Notes or FX Linked Interest 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 each relevant Interest Amount shall 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, Indexed Notes, Equity Linked Interim Amount Notes or FX Linked Interest Notes, as the case may be.

### 6.4 **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 from the Interest Commencement Date.

### 6.5 **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 from the Interest Commencement Date.

### 6.6 **Interest on Unpaid Amounts**

Subject as provided in Credit Linked Condition 5 (*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 for its redemption. If on the date of redemption and upon due presentation of the Note, payment of principal is improperly withheld or refused, interest shall accrue at the SAFEX Overnight Deposit Rate (to be found on the Reuters Screen SAFEX page as at 11h00 (Johannesburg time)) from the date on which such amount is due and payable 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 Notes evidenced by a Global Certificate, 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 13 (*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 6.2.4 (*Screen Rate Determination including fallback provisions*) to ascertain a rate.

### 6.7 **Business Day Convention**

*If any Interest Payment Date or Interim Amount 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 Interim Amount Payment Date (or other date) shall in any case where Interest Periods are specified in accordance with Condition 6.2 (*Interest on Floating Rate Notes, Indexed Notes, FX Linked Interest Notes and Interim Amounts payable in respect of Equity Linked Notes*), 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 Interim Amount 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 Interim Amount 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 Interim Amount Payment Date (or other date) shall be brought forward to the first preceding Business Day.

## 7. REDEMPTION AND PURCHASE

A Tranche of Notes will, subject to Credit Linked Condition 1 (*Redemption Following the Occurrence of a Credit Event*) in the case of Credit Linked Notes or as otherwise specified in the Terms and Conditions, be redeemed on the Maturity Date in accordance with Condition 7.1 (*Scheduled Redemption*). If the "*Early Redemption at the option of the Issuer (Call Option)*" and/or "*Early Redemption at the option of the Noteholders of Notes (Put Option)*" and/or "*Early Redemption following the occurrence of a Tax Event and/or Increased Cost Event and/or Change in Law*" is specified as applicable in the Applicable Pricing Supplement, a Tranche of Notes may, or upon the occurrence of an Event of Default as set out in Condition 11 (*Events of Default*) will, be redeemed prior to its Maturity Date in accordance with this Condition 7 (*Redemption and Purchase*).

### 7.1 Scheduled Redemption

Subject to (i) in the case of Credit Linked Notes, Credit Linked Condition 1 (*Redemption Following the Occurrence of a Credit Event*), or (ii) in the case of FX Linked Notes that may be redeemed by Delivery of selected FX Deliverable Obligations, unless previously redeemed or purchased and cancelled as specified below, the Notes will be redeemed at

the Final Redemption Amount on the Maturity Date subject to the provisions contained in Condition 8 (*Payments*).

**7.2 Redemption following the occurrence of a Tax Event and/or Increased Cost Event and/or Change in Law**

If so specified in the Applicable Pricing Supplement, 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 or Interim Amount Payment Date (if the Floating Rate Note provisions, the Indexed Note provisions or the Equity Linked Interim Amount 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/Registrar and the Paying Agent (which notice shall be irrevocable in accordance with Condition 13 (*Notices*), at their Early Redemption Amount, following the occurrence of a Tax Event and/or Increased Cost Event and/or Change in Law, provided, however, that no such notice of redemption shall be given earlier than:

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

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Paying Agent (A) a certificate signed by two authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers of recognised standing to the effect that a Tax Event and/or Increased Cost Event and/or Change in Law has occurred. Upon the expiry of any such notice as is referred to in this Condition 7.2 (*Redemption following the occurrence of a Tax Event and/or Increased Cost Event and/or Change in Law*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 7.2 (*Redemption following the occurrence of a Tax Event and/or Increased Cost Event and/or Change in Law*).

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

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

- (a) not less than 15 (fifteen) and not more than 60 (sixty) days', or such other period as specified in the Applicable Pricing Supplement, notice to the Noteholders in accordance with Condition 13 (*Notices*); and
- (b) not less than 7 (seven) days before giving the notice referred to in (a) above, notice to the Transfer Agent/Registrar,

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

Any such redemption amount must be of a nominal amount equal to or greater than the Minimum Redemption Amount or equal to or less than a Higher Redemption Amount, both as specified in the Applicable Pricing Supplement, if applicable, provided that if Unwind Costs are specified in the Applicable Pricing Supplement as applicable, the Optional Redemption Amount(s) (Call) may be reduced by Unwind Costs. 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 Note Certificates, individually by lot; and
- (b) in the case of Redeemable Notes represented by a Global Certificate, 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 Note Certificates (and in the case of Redeemable Notes which are Bearer Notes, the relevant Receipts and/or Coupons) will be published in accordance with Condition 13 (*Notices*) not less than 10 (ten) days prior to the date fixed for redemption. The aggregate Nominal Amount of Redeemed Notes represented by Individual Note Certificates shall bear the same proportion to the aggregate Nominal Amount of all Redeemed Notes as the aggregate Nominal Amount of Individual Note 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 represented by a Global Certificate shall be equal to the balance of the Redeemed Notes. No exchange of Notes represented by the relevant Global Certificate for Individual Note 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 7.3 (*Early Redemption at the option of the Issuer (Call Option)*) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 (*Notices*) at least 5 (five) days prior to the Selection Date.

Holders of Redeemable Notes shall surrender the Individual Note 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 Certificates, Receipts and Coupons (as applicable) are redeemed, the Transfer Agent/Registrar shall deliver new Individual Note Certificates, Receipts and Coupons (as applicable) to such Noteholders in respect of the balance of the Notes.

#### 7.4 **Early Redemption at the option of Noteholders (Put Option)**

If the Noteholders of Notes are specified in the Applicable Pricing Supplement as having an option to put any Notes, the Issuer shall, at the option of the Noteholders of such Tranche of Notes, redeem the 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(s) (Put) together with interest (if any) accrued to such date, provided that if Unwind Costs are specified in the Applicable Pricing Supplement as applicable, the Optional Redemption Amount(s) (Put) may be reduced by Unwind Costs. If the Optional Redemption Amount(s) (Put) is to be reduced by the Issuer for Unwind Costs, within 3 (three) Business Days of receipt of the Put Notice the Issuer shall advise the Noteholder in writing (the "**Optional Redemption Amount(s) (Put) Amendment Notice**") as to the amount of the relevant Unwind Costs and the Noteholder shall have the option of revising the Put Notice or of persisting with the redemption at the amount indicated in the Put Notice as reduced by the Unwind Costs. The Noteholder shall notify the Issuer of its election within 3 (three) Business Days of receipt of the Optional Redemption Amount(s) (Put) Amendment Notice.

In order to exercise the option contained in this Condition 7.4 (*Early Redemption at the option of Noteholders (Put Option)*), the Noteholders of such Notes must, not less than 30 (thirty) nor more than 60 (sixty) days, or such other period as specified in the Applicable Pricing Supplement, before the relevant Optional Redemption Date(s) (Put), surrender the Individual Note Certificates (if any) relating to such Notes with the Paying Agent in accordance with Condition 13 (*Notices*), together with a duly completed Put Notice. The Optional Redemption Amount(s) (Put) 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.

If the Notes are represented by a Global Certificate, to exercise the option contained in this Condition 7.4 (*Early Redemption at the option of Noteholders (Put Option)*) the holder must within the Notice Period, give notice to the Paying Agent in accordance with Condition 13 (*Notices*) and the Applicable Procedures of the relevant clearing system. The redemption of Notes represented by a Global Certificate or shall take place in accordance with the Applicable Procedures.

Where a Noteholder puts 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/Registrar 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/Registrar. Pro forma Put Notices shall be available from the Specified Office of the Issuer.



Any Put Notice given by a holder of any Note pursuant to this Condition 7.4 (*Early Redemption at the option of Noteholders (Put Option)*) shall be irrevocable except where after giving the notice, but prior to the due date of redemption, an Event of Default shall have occurred and be continuing in which event such Noteholder, at its option, may elect by notice to the Issuer and the Transfer Agent/Registrar to withdraw the notice given pursuant to this paragraph and instead to declare such Note forthwith due and payable pursuant to Condition 11 (*Events of Default*).

#### 7.5 **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 11 (*Events of Default*), such Notes shall, become forthwith due and payable at the Early Redemption Amount in the manner set out in Condition 7.7 (*Early Redemption Amounts*), together with interest (if any) to the date of payment, in accordance with Condition 11 (*Events of Default*).

#### 7.6 **Intervening Credit Event in the case of Credit Linked Notes**

Any obligation on the part of the Issuer to redeem a Credit Linked Note pursuant to the provisions of Condition 7.2 (*Redemption following the occurrence of a Tax Event and/or Increased Cost Event and/or Change in Law*), Condition 7.3 (*Early Redemption at the option of the Issuer (Call Option)*) or Condition 7.4 (*Early Redemption at the option of Noteholders (Put Option)*), shall terminate upon the occurrence before the performance of such obligation of a Credit Event.

#### 7.7 **Early Redemption Amounts**

For the purpose of Condition 7.2 (*Redemption following the occurrence of a Tax Event and/or Increased Cost Event and/or Change in Law*) and Condition 11 (*Events of Default*) (and otherwise as stated herein), the Notes will be redeemed at the Early Redemption Amount specified or determined in the manner specified in the Applicable Pricing Supplement, or if no such amount or manner is specified in the Applicable Pricing Supplement, 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 "**Accreted Face Amount**") equal to the sum of:

$$\text{Nominal Amount} \times \text{Reference Price} \times (1 + \text{Implied Yield}/n)^{(n \times (\text{Days} / \text{Daycount}))},$$

where:

“Days” is the number of calendar days from and including the Issue Date, until but excluding, the date on which the notes are redeemed early;

“n” is equal to:

- (i) 1, if the Implied Yield, as specified in the Applicable Pricing Supplement, is specified as naca; or
- (ii) 2, if the Implied Yield, as specified in the Applicable Pricing Supplement, is specified as nacs.

Where the Implied Yield is not specified in the Applicable Pricing Supplement, the Implied Yield will be determined by the Calculation Agent with reference to the Issue Price, Issue Date, Nominal Amount and Maturity Date of the Notes.

Provided That if Unwind Costs are specified in the Applicable Pricing Supplement as applicable, the Early Redemption Amount determined in accordance with this Condition 7.7 (*Early Redemption Amounts*) may be reduced by Unwind Costs.

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.

#### 7.8 **Instalment Notes**

Instalment Notes will be redeemed at the Instalment Amounts and on the Instalment Dates. In the case of early redemption in accordance with Conditions 7.2 (*Redemption following the occurrence of a Tax Event and/or Increased Cost Event and/or Change in Law*) or 7.7 (*Early Redemption Amounts*), the Early Redemption Amount will be determined pursuant to this Condition 7 (*Redemption and Purchase*).

#### 7.9 **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 7 (*Redemption and Purchase*) and the Applicable Pricing Supplement.

#### 7.10 **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.

*If the Applicable Pricing Supplement specifies "Exchangeable Notes" to be applicable, any application made for such Exchangeable Notes to be listed and admitted to trading on the Luxembourg Stock Exchange's Euro MTF shall be by way of a listing prospectus submitted for approval to the Luxembourg Stock Exchange pursuant to the Programme. No assurances can be given that such application for listing and admission to trading will be granted.*

## 7.11 **Purchases**

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.

## 7.12 **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 a Certificate are cancelled, the Transfer Agent/Registrar shall deliver a Certificate to such Noteholder in respect of the balance of the Notes.

## 8. **PAYMENTS**

Condition 8.1 and Condition 8.2 are only applicable to Bearer Notes.

### 8.1 **Payment of Principal, Interest and Interim Amounts**

- (a) **Principal:** Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the principal financial centre of that currency.
- (b) **Interest and Interim Amounts:** Payments of interest and Interim Amounts shall, subject to paragraph (g) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) **Payments in New York City:** Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) **Deductions for unmatured Coupons:** If the relevant Pricing Supplement specifies that the relevant Notes are Fixed Rate Notes and a Bearer Note is presented without all unmatured Coupons relating thereto:
  - (A) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; provided, however, that if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;

- (B) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
- (x) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; provided, however, that where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
  - (y) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; provided, however, that, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

- (e) **Unmatured Coupons void:** If the Applicable Pricing Supplement specifies that this Condition 8.1(e) is applicable or that the relevant Notes are Floating Rate Notes, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 7.2 (*Redemption following the occurrence of a Tax Event and/or Increased Cost Event and/or Change in Law*), Condition 7.3 (*Early Redemption at the option of the Issuer (Call Option)*) or Condition 11 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (f) **Payments on business days:** If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (g) **Payments other than in respect of matured Coupons:** Payments of interest and Interim Amounts other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (h) **Partial payments:** If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

- (i) **Exchange of Talons:** On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal Paying Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 10 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

8.2 **Payments subject to fiscal laws:** All payments in respect of the Bearer Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

Condition 8.3 and Condition 8.4 are only applicable to Registered Notes.

### 8.3 **Payment of Principal, Interest and Interim Amounts**

- (a) **Principal:** Payments of principal shall be made by cheque drawn in the currency in which the payment is due on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the principal financial centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) **Interest and Interim Amounts:** Payments of interest and Interim Amounts shall be made by cheque drawn in the currency in which the payment is due on, or, upon application by a Holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the principal financial centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest and Interim Amounts payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (c) **Payments on business days:** Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not a Business Day, for value the next succeeding Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the

case of payments of principal, interest and Interim Amounts payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest and Interim Amounts payable other than on redemption) on the Business Day immediately preceding the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Business Day or (B) a cheque mailed in accordance with this Condition 8.3(c) arriving after the due date for payment or being lost in the mail.

- (d) **Partial payments:** If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (e) **Record date:** Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

8.4 **Payments subject to fiscal laws:** All payments in respect of the Registered Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

## 8.5 **Payment Disruption Provisions**

### 8.5.1 *Payment Disruption Event*

8.5.1.1 In the event that the Calculation Agent, at any time and from time to time, determines that a Payment Disruption Event has occurred or is likely to occur, then the Calculation Agent shall as soon as practicable notify the Noteholders of the relevant Notes of the occurrence of a Payment Disruption Event in accordance with Condition 13 (*Notices*).

### 8.5.2 *Consequences of a Payment Disruption Event*

8.5.2.1 Upon the occurrence of a Payment Disruption Event:

#### 8.5.2.1.1 Extension of relevant dates

The Payment Day or any other date on which the Notes may be exercised or redeemed or any amount shall be due and payable in respect of the relevant Notes shall, subject to Condition 8.5.2.1.4 (*Payment Disruption Event Cut-*

*Off Date and Payment Disruption Event Payment Date*), be extended to a date falling 14 calendar days (or such other date as may be determined by the Calculation Agent and notified to the Noteholders in accordance with Condition 13 (*Notices*)) after the date on which the Payment Disruption Event is no longer occurring and notice thereof shall be given to the relevant Noteholders in accordance with Condition 13 (*Notices*).

#### 8.5.2.1.2 Obligation to pay postponed

The Issuer's obligation to pay the interest, principal, Interim Amount or any such other amounts in respect of the relevant Notes (the "**Affected Amount**"), subject to Condition 8.5.2.1.4 (*Payment Disruption Event Cut-Off Date and Payment Disruption Event Payment Date*), shall be postponed until 14 calendar days (or such other date as may be determined by the Calculation Agent and notified to the Noteholders in accordance with Condition 13 (*Notices*)) after the date on which the Payment Disruption Event is no longer operating. Notwithstanding the foregoing, the Issuer may elect to satisfy in part its obligation to pay the amounts as may be due and payable under the relevant Notes by making a partial payment(s) (the "**Partial Distributions**"). Any Partial Distribution made by the Issuer to the Noteholders will be calculated and/or determined by the Calculation Agent and shall be paid to the Noteholders *pro rata* to the proportion of the Notes of the same series held by the relevant Noteholder. In the event that any Partial Distribution is made by the Issuer, the Calculation Agent may make any such corresponding adjustment to any variable relevant to the settlement, redemption or payment terms of the relevant Notes as it deems necessary and shall notify the relevant Noteholders thereof in accordance with Condition 13 (*Notices*).

#### 8.5.2.1.3 Payments net of expenses

Notwithstanding any provisions to the contrary, (a) any payments made in accordance with this Condition 8.5 (*Payment Disruption Provisions*) shall be made after deduction of any costs, expenses or liabilities incurred or to be incurred by the Calculation Agent or Issuer in connection with or arising from the resolution of the relevant Payment Disruption Event and (b) a Noteholder shall not be entitled to any payment, whether of interest or otherwise, on the Notes in the event of any delay which may occur in the payment of any amounts due and payable under the Notes as a result of the operation of this Condition 8.5 (*Payment Disruption Provisions*) and no liability in respect thereof shall attach to the Issuer.

#### 8.5.2.1.4 Payment Disruption Event Cut-Off Date and Payment Disruption Event Payment Date

In the event that a Payment Disruption Event is still occurring on the Payment Disruption Event Cut-off Date, then the Payment Day or any other date for the relevant Notes in respect of which redemption amounts in relation to any of the Notes would otherwise be due and payable but for the occurrence of such Payment Disruption Event shall be postponed to the Payment Disruption Event Payment Date and the Calculation Agent shall determine the USD Equivalent Amount of the Affected Amount based on the USD/Affected Currency Exchange Rate as of the Payment Disruption Valuation Date and the Issuer shall make payment of the USD Equivalent

Amount of the Affected Amount on the Payment Disruption Event Payment Date in full and final settlement of its obligations to pay such Affected Amount in respect of the Notes. The Calculation Agent shall as soon as practicable after the Payment Disruption Event Cut-off Date notify the Noteholders of the time on the Payment Disruption Valuation Date on which the USD/Affected Currency Exchange Rate will be determined. In the event the Calculation Agent is unable to determine the USD Equivalent Amount in respect of the Affected Amount on the Payment Disruption Valuation Date, the Noteholders will not receive any amounts. Thereafter, the Issuer shall have no obligations whatsoever under the Securities.

#### 8.6 **Surrender of 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 Certificate in respect of the Note to be redeemed has been surrendered to the Paying Agent.

Payments of interest and Interim Amounts in respect of Bearer Notes shall be made in accordance with Condition 8 (*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 shall be made by the Issuer in accordance with Condition 8 (*Payments*) 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 shall be made until the later of:

- (a) the Relevant Date; and
- (b) the date on which the 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, as the case may be, (whether or not surrendered with the relevant 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.

#### 8.7 **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.

#### 8.8 **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 8 (*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 Accreted Face Amount (as defined under Condition 7.7 (*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 and Interim Amounts.

Any reference in these Terms and Conditions to interest and Interim Amounts in respect of the Notes shall include, as applicable, and additional amounts which may be payable with respect of interest and Interim Amounts under Condition 9 (*Taxation*).

## **9. TAXATION**

- 9.1 A Noteholder whose Notes are redeemed shall pay all Taxes payable in connection with the payment of the Interest Amounts, 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 and/or the Credit Event 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.
- 9.2 All payments of principal, interest and Interim Amounts 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.
- 9.3 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) held by or on behalf of a Noteholder who would not be liable or subject to the withholding or deduction by making a declaration of non-residency or other similar claim for exemption to the relevant tax authority (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) 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.

9.4 Notwithstanding any other provision in these Conditions, the Issuer, and the Paying Agents, shall be permitted to withhold or deduct any amounts required by the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), pursuant to any inter-governmental agreement, or implementing legislation adopted by another jurisdiction in connection with these provisions, or pursuant to any agreement with the US IRS (FATCA withholding). The Issuer will have no obligation 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.

9.5 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.

## 10. PRESCRIPTION

Claims against the Issuer for payment or delivery in respect of the Notes, receipts and Coupons (including without limitation, claims for any applicable redemption amounts payable) shall be prescribed and become void unless made within (and no claims shall be made after such relevant payment date): (a) ten years (in the case of principal) from the relevant payment date in respect of the relevant Notes; or (b) five years (in the case of interest) from the relevant payment date in respect of the relevant Notes.

## 11. EVENTS OF DEFAULT

An Event of Default in relation to the 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 Principal Paying Agent (addressed to the Issuer); or
- (c) *Insolvency, winding-up etc.*: the granting of an order by any competent court or authority for the liquidation, winding-up, dissolution or commencement of

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

- (d) *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 Clearstream, Luxembourg the Luxembourg Stock Exchange 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 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.

## **12. AGENTS AND REGISTRAR**

- 12.1 In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.
- 12.2 The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is the Issuer. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor registrar, Principal Paying Agent or Calculation Agent and additional or successor paying agents and transfer agents; provided, however, that:
  - (a) the Issuer shall at all times maintain a Principal Paying Agent and a registrar; and
  - (b) if a Calculation Agent (other than the Issuer) is specified in the relevant Pricing Supplement, the Issuer shall at all times maintain a Calculation Agent; and

- (c) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a paying agent and/or registrar in any particular place, the Issuer shall maintain a paying agent and/or a registrar each with a Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

12.3 Notice of any change in any of the Agents or the Registrar or in their Specified Offices shall promptly be given to the Noteholders.

### **13. NOTICES**

#### **13.1 Notice by the Issuer**

13.1.1 All notices to Noteholders in respect of Registered Notes represented by Individual Note Certificates shall be sent by registered mail or delivered by hand to their addresses appearing in the Register. Any such notice shall be deemed to have been given on the 7th (seventh) day after the day on which it is mailed and on the day of delivery if delivered.

13.1.2 All notices to Noteholders in respect of Bearer Notes represented by Individual Note Certificates shall be published in an English language daily newspaper of general circulation in South Africa and any such notices shall be deemed to have been given on the date of first publication.

13.1.3 For as long as any of the Notes are represented by a Global Certificate, all notices in respect of such Notes shall be by way of delivery by the Issuer of the relevant notice to, in the case of Notes represented by a Global Certificate held on behalf of Euroclear and Clearstream, Luxembourg, Euroclear and/or Clearstream, Luxembourg, as applicable or, in the case of another Financial Exchange on which the Notes are listed, such other Financial Exchange, for communication by them to holders of Beneficial Interests in Notes represented by a Global Certificate.

#### **13.2 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 Certificate, Coupon or Receipt at the offices of (i) the Issuer located at Standard Bank Global Markets, First Floor, East Wing, 30 Baker Street, Rosebank, Johannesburg, 2196, South Africa marked for the attention of the Head: Structured Sales and Head: Global Markets Legal and (ii) the Transfer Agent/Registrar specified in the Applicable Pricing Supplement. For so long as any of the Notes are represented by a Global Certificate, notice may be given by any holder of a Beneficial Interest in Notes represented by a Global Certificate to the Issuer via, in the case of a Global Certificate held on behalf of Euroclear and Clearstream, Luxembourg, in accordance with the Applicable Procedures of Euroclear and/or Clearstream, Luxembourg, as applicable, in such manner as the Issuer 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, or, if such notice has been given through the relevant clearing system, on the 2nd (second) Business Day after such notice was given to the relevant clearing system.

13.3 **Notice in relation to Notes listed and admitted to trading on the Luxembourg Stock Exchange's Euro MTF**

So long as the Notes are listed on the Official List and admitted to trading on the Luxembourg Stock Exchange's Euro MTF and the rules of the Luxembourg Stock Exchange so require all notices regarding the Notes will be deemed to be validly given if published in a daily newspaper with general circulation in Luxembourg (which is expected to be the Luxemburger Wort) or on the website of the Luxembourg Stock Exchange (www.bourse.lu).

14. **MEETINGS OF NOTEHOLDERS**

14.1 **Definitions**

For purposes of Condition 14, the following expressions shall have the following meanings:

**“Block Voting Instruction”** means, in relation to any Meeting, a document in the English language issued by a Paying Agent for Holders of Bearer Notes and/or a document in the English language issued by the Registrar for Holders of Registered Notes:

- (a) certifying that certain specified Notes (the **“deposited Notes”**) have been deposited with such Paying Agent or, as the case may be, the Registrar (or to the order of such Paying Agent or, as the case may be, the Registrar at a bank or other depository) or blocked in an account with a clearing system and will not be released until the earlier of:
  - (i) the conclusion of the Meeting; and
  - (ii) the surrender to such Paying Agent or the Registrar, not less than 48 hours before the time fixed for the Meeting (or, if the Meeting has been adjourned, the time fixed for its resumption), of the receipt for the deposited or blocked Notes and notification thereof by such Paying Agent to the Issuer;
- (b) certifying that the depositor of each deposited Note or a duly authorised person on its behalf has instructed the relevant Paying Agent or, as the case may be, the Registrar that the votes attributable to such deposited Note are to be cast in a particular way on each resolution to be put to the Meeting and that, during the period of 48 hours before the time fixed for the Meeting, such instructions may not be amended or revoked;
- (c) listing the total number and (if in definitive form) the certificate numbers of the deposited Notes, distinguishing for each resolution between those in respect of which instructions have been given to vote for, or against, the resolution; and
- (d) authorising a named individual or individuals to vote in respect of the deposited Notes in accordance with such instructions;

**“Chairman”** means, in relation to any Meeting, the individual who takes the chair in accordance with Condition 14.8 (*Chairman*);

**“Extraordinary Resolution”** means a resolution passed at a Meeting duly convened and held in accordance with this Schedule by a majority of not less than 66.6% of the votes cast;

**“Form of Proxy”** means, in relation to any Meeting, a document in the English language available from the Registrar signed by a Holder of Registered Notes or, in the case of a corporation, executed under its seal or signed on its behalf by a duly authorised officer and delivered to the Registrar not later than 48 hours before the time fixed for such Meeting, appointing a named individual or individuals to vote in respect of the Registered Notes held by such Noteholder;

**“Meeting”** means a meeting of Noteholders (whether originally convened or resumed following an adjournment);

**“Proxy”** means, in relation to any Meeting, a person appointed to vote under a Block Voting Instruction by a Holder of a Bearer Note and/or a person appointed to vote under a Block Voting Instruction or a Form of Proxy by a Holder of a Registered Note, other than:

- (a) any such person whose appointment has been revoked and in relation to whom the Principal Paying Agent, or as the case may be, the Registrar has been notified in writing of such revocation by the time which is 48 hours before the time fixed for such Meeting; and
- (b) any such person appointed to vote at a Meeting which has been adjourned for want of a quorum and who has not been re-appointed to vote at the Meeting when it is resumed;

**“Relevant Fraction”** means:

- (a) for all business other than voting on an Extraordinary Resolution, one tenth;
- (b) for voting on any Extraordinary Resolution other than one relating to a Reserved Matter, one more than half; and
- (c) for voting on any Extraordinary Resolution relating to a Reserved Matter, three quarters;

*provided, however, that*, in the case of a Meeting which has resumed after adjournment for want of a quorum it means:

- (i) for all business other than voting on an Extraordinary Resolution relating to a Reserved Matter, the fraction of the aggregate principal amount of the outstanding Notes represented or held by the Voters actually present at the Meeting; and
- (ii) for voting on any Extraordinary Resolution relating to a Reserved Matter, one quarter;

**“Reserved Matter”** means any proposal:

- (a) to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect

of the Notes or to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment;

- (b) to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;
- (c) to change the currency in which amounts due in respect of the Notes are payable;
- (d) to change the quorum required at any Meeting or the majority required to pass an Extraordinary Resolution; or
- (e) to amend this definition;

“**Voter**” means in relation to any Meeting: the bearer of a Voting Certificate or a Proxy, the bearer of a Definitive Note who produces such Definitive Note at the Meeting or subject to Condition 14.5 (*Record Date*) below, a Holder of Registered Notes, *provided, however, that* (subject to Condition 14.5 (*Record Date*) below) any Holder of Registered Notes which has appointed a Proxy under a Block Voting Instruction or Form of Proxy shall not be a “**Voter**” except to the extent that such appointment has been revoked and the Registrar notified in writing of such revocation at least 48 hours before the time fixed for such Meeting;

“**Voting Certificate**” means, in relation to any Meeting a certificate in the English language issued by a Paying Agent for Holders of Bearer Notes and dated in which it is stated:

- (a) that certain specified Notes (the “**deposited Notes**”) have been deposited with such Paying Agent (or to its order at a bank or other depository) or blocked in an account with a clearing system and will not be released until the earlier of:
  - (b) the conclusion of the Meeting; and
  - (c) the surrender of such certificate to such Paying Agent; and
- (d) that the bearer of such certificate is entitled to attend and vote at the Meeting in respect of the deposited Notes;

“**Written Resolution**” means a resolution in writing signed by or on behalf of all Holders of Notes who for the time being are entitled to receive notice of a Meeting in accordance with the provisions of this Schedule, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more such Holders of the Notes;

“**24 hours**” means a period of 24 hours including all or part of a day upon which banks are open for business in the places where the relevant Meeting is to be held and in respect of a Meeting of Holders of Bearer Notes, each of the places where the Paying Agents have their Specified Offices and in respect of a Meeting of Holders of Registered Notes, the place where the Registrar has its Specified Office (disregarding for this purpose the day upon which such Meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business as aforesaid; and

“**48 hours**” means 2 consecutive periods of 24 hours.

14.2 **Issue of Voting Certificates, Forms of Proxy and Block Voting Instructions for Meeting of Holders of Bearer Notes**

14.2.1 The Holder of a Bearer Note may obtain a Voting Certificate from any Paying Agent or require any Paying Agent to issue a Block Voting Instruction by depositing such Note with such Paying Agent or arranging for such Bearer Note to be (to its satisfaction) held to its order or under its control or blocked in an account with a clearing system not later than 48 hours before the time fixed for the relevant Meeting. A Voting Certificate or Block Voting Instruction shall be valid until the release of the deposited Notes to which it relates. So long as a Voting Certificate or Block Voting Instruction is valid, the bearer thereof (in the case of a Voting Certificate) or any Proxy named therein (in the case of a Block Voting Instruction) shall be deemed to be the Holder of the Bearer Notes to which it relates for all purposes in connection with the Meeting. A Voting Certificate and a Block Voting Instruction cannot be outstanding simultaneously in respect of the same Note.

14.2.2 The Holder of an interest in a Registered Note may require the Registrar to issue a Block Voting Instruction by arranging (to the satisfaction of the Registrar) for such Registered Note to be blocked in an account with a clearing system not later than 48 hours before the time fixed for the relevant Meeting. The registered Holder of a Registered Note may require the Registrar to issue a Block Voting Instruction by delivering to the Registrar written instructions not later than 48 hours before the time fixed for the relevant Meeting. Any registered Holder of a Registered Note may obtain an uncompleted and unexecuted Form of Proxy from the Registrar. A Block Voting Instruction shall be valid until the release of the deposited Notes to which it relates. A Form of Proxy cannot be outstanding simultaneously in respect of the same Note.

14.3 **References to Deposit/Release of Notes**

14.3.1 Where Bearer Notes are represented by a Global Note or are held in definitive form within a clearing system, references to the deposit, or release, of Notes shall be construed in accordance with the usual practices (including blocking the relevant account) of such clearing system.

14.3.2 Where Registered Notes are represented by a Global Registered Note Certificate and/or are held within a clearing system, references to the deposit, or release, of Notes shall be construed in accordance with the usual practices (including blocking the relevant account) of such clearing system.

14.4 **Validity of Block Voting Instructions and Forms of Proxy**

14.4.1 A Block Voting Instruction shall be valid only if, in the case of a Bearer Note it is deposited at the Specified Office of the Principal Paying Agent, and in the case of a Registered Notes it is deposited at the Specified Office of the Registrar, or at some other place approved by the Principal Paying Agent or, as the case may be, the Registrar, at least 24 hours before the time fixed for the relevant Meeting or the Chairman decides otherwise before the Meeting proceeds to business. A Form of Proxy shall be valid only if it is deposited at the Specified Office of the Registrar, or at some other place approved by the Registrar, at least 24 hours before the time fixed for the relevant Meeting or the Chairman decided otherwise before the Meeting proceeds to business. If the Principal Paying Agent or, as the case may be, the Registrar requires, a notarised copy of each Block Voting Instruction or, as the case may be, Form of Proxy and satisfactory proof of the identity of each Proxy named therein shall be produced at the Meeting, but the Principal Paying Agent and, as the case may be, the Registrar shall not be obliged to



investigate the validity of any Block Voting Instruction or, as the case may be, Form of Proxy or the authority of any Proxy.

#### 14.5 **Record Date**

14.5.1 The Issuer may fix a record date for the purposes of any Meeting of Holders of Registered Notes or any resumption thereof following its adjournment for want of a quorum provided that such record date is not more than 10 (ten) days prior to the time fixed for such Meeting or (as the case may be) its resumption. The person in whose name a Note is registered in the Register on the record date at close of business in the city in which the Registrar has its Specified Office shall be deemed to be the Holder of such Note for the purposes of such Meeting of Holders of Registered Notes and notwithstanding any subsequent transfer of such Note or entries in the Register.

#### 14.6 **Convening of Meeting**

14.6.1 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 13 (*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.

#### 14.7 **Notice**

14.7.1 At least 21 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) specifying the date, time and place of the Meeting shall be given to the Noteholders and, in the case of a Meeting of Holders of Bearer Notes, the Paying Agents and, in the case of a Meeting of Holders of Registered Notes, the Registrar, (with a copy to the Issuer). The notice shall set out the full text of any resolutions to be proposed and shall state that the Notes may be deposited with, or to the order of, in the case of a Meeting of Holders of Bearer Notes, any Paying Agent and, in the case of a Meeting of Holders of Registered Notes, the Registrar, for the purpose of obtaining Voting Certificates or appointing Proxies not later than 48 hours before the time fixed for the Meeting.

#### 14.8 **Chairman**

14.8.1 An individual (who may, but need not, be a Noteholder) nominated in writing by the Issuer may take the chair at any Meeting but, if no such nomination is made or if the individual nominated is not present within 15 minutes after the time fixed for the Meeting, those present shall elect one of themselves to take the chair failing which, the Issuer may appoint a Chairman. The Chairman of an adjourned Meeting need not be the same person as was the Chairman of the original Meeting.

#### 14.9 **Quorum**

14.9.1 The quorum at any Meeting shall be at least two Voters representing or holding not less than the Relevant Fraction of the aggregate principal amount of the outstanding Notes; provided, however, that, so long as at least the Relevant Fraction of the aggregate

principal amount of the outstanding Notes is represented by a Global Note, a single Proxy representing the holder thereof shall be deemed to be two Voters for the purpose of forming a quorum.

**14.10 Adjournment for want of quorum**

14.10.1 If within 15 minutes after the time fixed for any Meeting a quorum is not present, then:

- (a) in the case of a Meeting requested by Noteholders, it shall be dissolved; and
- (b) in the case of any other Meeting, it shall be adjourned for such period (which shall be not less than 14 days and not more than 42 days) and to such place as the Chairman determines; 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.

**14.11 Adjourned Meeting**

The Chairman may, with the consent of (and shall if directed by) any Meeting, adjourn such Meeting from time to time and from place to place, but no business shall be transacted at any adjourned Meeting except business which might lawfully have been transacted at the Meeting from which the adjournment took place.

**14.12 Notice following adjournment**

14.12.1 Condition 14.7 (*Notice*) shall apply to any Meeting which is to be resumed after adjournment for want of a quorum save that:

- (a) 10 (ten) days' notice (exclusive of the day on which the notice is given and of the day on which the Meeting is to be resumed) shall be sufficient; and
- (b) the notice shall specifically set out the quorum requirements which will apply when the Meeting resumes.

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

**14.13 Participation**

14.13.1 The following may attend and speak at a Meeting:

- (a) Voters;
- (b) representatives of the Issuer, the Principal Paying Agent and the Registrar;
- (c) the financial advisers of the Issuer;
- (d) the legal counsel to the Issuer, the Principal Paying Agent and the Registrar; and
- (e) any other person approved by the Meeting.

14.14 **Show of hands**

Every question submitted to 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 Chairman'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. Where there is only one Voter, this paragraph shall not apply, and the resolution will immediately be decided by means of a poll.

14.15 **Poll**

A demand for a poll shall be valid if it is made by the Chairman, the Issuer or one or more Voters representing or holding not less than one fiftieth of the aggregate principal amount of the outstanding Notes. The poll may be taken immediately or after such adjournment as the Chairman directs, but any poll demanded on the election of the Chairman 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 Chairman directs.

14.16 **Votes**

14.16.1 Every Voter shall have:

- (a) on a show of hands, one vote; and
- (b) on a poll, the number of votes obtained by dividing the aggregate principal amount of the outstanding Note(s) represented or held by him by the unit of currency in which the Notes are denominated.

14.16.2 In the case of a voting tie the Chairman shall have a casting vote.

14.16.3 Unless the terms of any Block Voting Instruction state otherwise, a Voter shall not be obliged to exercise all the votes to which he is entitled or to cast all the votes which he exercises in the same way.

14.17 **Validity of Votes by Proxies**

Any vote by a Proxy in accordance with the relevant Block Voting Instruction or, as the case may be, Form of Proxy shall be valid even if such Block Voting Instruction or, as the case may be, Form of Proxy or any instruction pursuant to which they were respectively given has been amended or revoked, *provided that*, in the case of a Proxy for a Holder of Bearer Notes, the Principal Paying Agent and in the case of a Proxy for a Holder of Registered Notes, the Registrar, 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 Block Voting Instruction or, as the case may be, Form of Proxy in relation to a Meeting shall remain in force in relation to any resumption of such Meeting following an adjournment; *provided, however, that* no such appointment of a Proxy in relation to a Meeting originally convened which has been adjourned for want of a quorum shall remain in force in relation to such Meeting when it is resumed. Any person appointed to vote at such a Meeting must be re-appointed under a Block Voting Instruction or, as the case may be, Form of Proxy to vote at the Meeting when it is resumed.

## 14.18 **Powers**

14.18.1 A Meeting shall have power (exercisable by Extraordinary Resolution), without prejudice to any other powers conferred on it or any other person:

- (a) to approve any Reserved Matter;
- (b) to approve any proposal by the Issuer for any modification, abrogation, variation or compromise of any of the Conditions or any arrangement in respect of the obligations of the Issuer under or in respect of the Notes;
- (c) to approve any proposal by the Issuer for any modification of any provision of the Deed of Covenant insofar as it relates to the Deed of Covenant or any arrangement in respect of the obligations of the Issuer thereunder;
- (d) to approve the substitution of any person for the Issuer (or any previous substitute) as principal obligor under the Notes and the Deed of Covenant;
- (e) to waive any breach or authorise any proposed breach by the Issuer of its obligations under or in respect of the Notes or the Deed of Covenant or any act or omission which might otherwise constitute an event of default under the Notes;
- (f) to authorise the Principal Paying Agent or any other person to execute all documents and do all things necessary to give effect to any Extraordinary Resolution;
- (g) to give any other authorisation or approval which is required to be given by Extraordinary Resolution; and
- (h) to appoint any persons as a committee to represent the interests of the Noteholders and to confer upon such committee any powers which the Noteholders could themselves exercise by Extraordinary Resolution.

## 14.19 **Extraordinary Resolution binds all Holders**

14.19.1 An Extraordinary Resolution shall be binding upon all Noteholders and holders of Coupons and Talons whether or not present at such Meeting and each of the Noteholders shall be bound to give effect to it accordingly. Notice of the result of every vote on an Extraordinary Resolution shall be given to the Noteholders and the Paying Agents (with a copy to the Issuer) within 14 days of the conclusion of the Meeting.

## 14.20 **Minutes**

14.20.1 Minutes shall be made of all resolutions and proceedings at each Meeting. The Chairman 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 the proceedings of which minutes have been summarised and signed shall be deemed to have been duly convened and held and all resolutions passed, or proceedings transacted at it to have been duly passed and transacted.

## 14.21 **Written Resolution**

14.21.1 A Written Resolution shall take effect as if it were an Extraordinary Resolution.

## 15. MODIFICATION

- 15.1 The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, is made to correct a manifest error or is, in its sole opinion, not materially prejudicial to the interests of the Noteholders.

## 16. 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 be consolidated by the Issuer to form a single Series with the Existing Notes.

## 17. 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 England and Wales.

## 18. JURISDICTION

The Courts of England are to have jurisdiction to settle any disputes, controversy, proceedings or claim of whatever nature that may arise out of or in connection with any Notes (including their formation) and accordingly any such legal action or proceedings ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. These submissions are made for the benefit of each of the Holders of the Notes and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

## ANNEX 1

### ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES

The terms and conditions applicable to Credit Linked Notes shall comprise the Terms and Conditions of the Notes set out above (the "**General Conditions**") and the Additional Terms and Conditions for Credit Linked Notes set out below (the "**Credit Linked Conditions**"), in each case subject to replacement or modification to the extent specified in the Applicable Pricing Supplement. In the event of any inconsistency between the General Conditions and the Credit Linked Conditions, the Credit Linked Conditions shall prevail. In the event of any inconsistency between (i) the General Conditions and/or the Credit Linked Conditions and (ii) the Applicable Pricing Supplement, the Applicable Pricing Supplement shall prevail.

#### 1. REDEMPTION FOLLOWING THE OCCURRENCE OF A CREDIT EVENT

1.1 If a Credit Event Determination Date has occurred in relation to the Reference Entity:

- (a) if Auction Settlement is specified in the Applicable Pricing Supplement as the applicable Settlement Method, the provisions of Credit Linked Condition 2 (*Auction Settlement*) will apply;
- (b) if Cash Settlement is specified in the Applicable Pricing Supplement as the applicable Settlement Method or if Credit Linked Condition 2(b)(x) below applies, the provisions of Credit Linked Condition 3 (*Cash Settlement*) will apply;
- (c) subject to Credit Linked Condition 10 (*Partial Cash Settlement*), if Physical Settlement is specified in the Applicable Pricing Supplement as the applicable Settlement Method or if Credit Linked Condition 2(b)(y) below applies, the provisions of Credit Linked Condition 4 (*Physical Settlement*) will apply.

Upon discharge by the Issuer of its relevant payment or delivery obligations, as the case may be, on the due date for redemption, or otherwise as provided herein, the Issuer's obligations in respect of a Note shall be discharged.

Where any Cash Settlement Amount is or would be zero then, other than for the payment of accrued interest or any other due but unpaid amounts, the Notes will be cancelled as of the Cash Settlement Date with no payment being due other than any final amount of accrued interest or any other due but unpaid amounts. The Issuer will have no further obligations in respect of the Credit Linked Notes.

If any purchase and cancellation of Notes occurs under General Condition 7.11 (*Purchases*) or any further issue under General Condition 16 (*Further Issues*), the Calculation Agent will make such adjustments to the Applicable Pricing Supplement and/or these Credit Linked Conditions as it determines appropriate to ensure the Notes continue to reflect economic intentions.

1.2 The Calculation Agent shall be responsible for making such determinations, performing such acts and exercising such discretions as may be provided pursuant to the General Conditions, these Credit Linked Conditions and/or the Applicable Pricing Supplement, including without limitation and as required:

- (a) determining a Successor;
- (b) if applicable, identifying a Substitute Reference Obligation;

- (c) obtaining Quotations (and, if necessary, determining whether such Quotations shall include or exclude accrued but unpaid interest) and determining the Final Price;
- (d) converting any amount from one currency to another;
- (e) choosing the Quotation Dealers and substituting Quotation Dealers in connection with obtaining Quotations; and
- (f) determining the Currency Rate.

1.3 Whenever the Calculation Agent is required to act or to exercise judgment, unless otherwise specified, it will do so in its sole and absolute discretion or, if so specified, in a commercially reasonable manner.

## 2. AUCTION SETTLEMENT

- (a) Where Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement and a Credit Event Determination Date occurs on or prior to the Auction Final Price Determination Date, the Issuer shall give notice (such notice an "**Auction Settlement Notice**") to the Noteholders in accordance with General Condition 13 (*Notices*) and, subject to these Credit Linked Conditions, redeem all but not some only of the Credit Linked Notes, each Credit Linked Note being redeemed by the Issuer at the Cash Settlement Amount in the relevant Payment Currency on the Cash Settlement Date.
- (b) Unless settlement has occurred in accordance with the paragraph above, if:
  - (i) an Auction Cancellation Date occurs;
  - (ii) a No Auction Announcement Date occurs (and in circumstances where such No Auction Announcement Date occurs pursuant to paragraph (a) or (c)(ii) of the definition of "No Auction Announcement Date", the Issuer has not exercised the Movement Option);
  - (iii) a DC Credit Event Question Dismissal occurs;
  - (iv) a Credit Event Determination Date was determined pursuant to paragraph (a) of the definition of "Credit Event Determination Date" or paragraph (b) of the definition of "Non-Standard Credit Event Determination Date" and no Credit Event Resolution Request Date has occurred on or prior to the date falling three (3) Business Days after such Credit Event Determination Date; or
  - (v) the Calculation Agent determines that it is otherwise reasonably likely that the Reference Transaction would be settled in accordance with the Fallback Settlement Method and gives notice of such to the Issuer (the date on which the Calculation Agent gives such notice, the "**Calculation Agent Fallback Settlement Determination Date**"),

then:

- (x) if Fallback Settlement Method – Cash Settlement is specified as applicable in the Applicable Pricing Supplement, the Issuer shall redeem the Credit

Linked Notes in accordance with Credit Linked Condition 3 (*Cash Settlement*) below; or

- (y) if Fallback Settlement Method – Physical Settlement is specified as applicable in the Applicable Pricing Supplement, the Issuer shall redeem the Credit Linked Notes in accordance with Credit Linked Condition 4 (*Physical Settlement*) below.

**If a Credit Event Determination Date has occurred and the Notes become redeemable in accordance with this Credit Linked Condition 2 (*Auction Settlement*), upon payment of the Cash Settlement Amounts in respect of the Notes, the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The Cash Settlement Amount may be less than the nominal amount of a Credit Linked Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.**

### 3. CASH SETTLEMENT

If a Credit Event Determination Date has occurred, then where Cash Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement or if Credit Linked Condition 2(b)(x) above applies, then, subject to any prior redemption in accordance with Credit Linked Condition 2 (*Auction Settlement*), the Issuer shall give notice (such notice a "**Cash Settlement Notice**") to the Noteholders in accordance with General Condition 13 (*Notices*), and, subject to these Credit Linked Conditions, in particular Credit Linked Condition 1 (*Redemption Following the Occurrence of a Credit Event*), redeem all but not some only of the Credit Linked Notes, each Credit Linked Note being redeemed by the Issuer at the Cash Settlement Amount in the relevant Payment Currency on the Cash Settlement Date.

In addition, the Issuer shall give notice (such notice a "**Notice of Valuation Settlement**") to the Noteholders in accordance with General Condition 13 (*Notices*). In the Notice of Valuation Settlement, the Issuer shall specify the Valuation Obligation(s) and the corresponding Outstanding Principal Balance(s) or Due and Payable Amount(s), as applicable, that it reasonably expects to use to determine the Final Price. The Issuer may, from time to time, amend a Notice of Valuation Settlement by delivering a notice to Noteholders in accordance with General Condition 13 (*Notices*), (each such notification, a "**Valuation Settlement Amendment Notice**") that the Issuer is replacing, in whole or in part, one or more Valuation Obligations specified in the Notice of Valuation Settlement or a prior Valuation Settlement Amendment Notice, as applicable. A Valuation Settlement Amendment Notice shall specify each replacement Valuation Obligation (each, a "**Replacement Valuation Obligation**") and shall also specify the Outstanding Principal Balance or Due and Payable Amount (determined on the same basis as in the definition of "Valuation Reference Holding") of each Valuation Obligation identified in the Notice of Valuation Settlement or a prior Valuation Settlement Amendment Notice, as applicable, that is being replaced or the equivalent Currency Amount of any such amount (with respect to each such Valuation Obligation, the "**Replaced Valuation Obligation Outstanding Amount**"). The Replacement Valuation Obligation(s), taken together, shall have an aggregate Replaced Valuation Obligation Outstanding Amount at least equal to the Outstanding Principal Balance(s) and/or Due and Payable Amount(s) (or the equivalent Currency Amount(s) of any such amount(s)) of the Valuation Obligations being replaced. Each such Valuation Settlement Amendment Notice must be effective on or prior to the first Valuation Date (determined without reference to any change resulting from such Valuation Settlement Amendment Notice). Notwithstanding the foregoing, (i) the Issuer may correct any errors or inconsistencies contained in the Notice of Valuation Settlement or any Valuation Settlement Amendment Notice, as applicable, by notice to Noteholders in



accordance with General Condition 13 (*Notices*), prior to the relevant first Valuation Date; and (ii) if Asset Package Delivery is applicable, the Issuer shall on the VSN Effective Date, or as soon as reasonably practicable thereafter (but in any case, prior to the first Valuation Date), notify the Noteholders (in accordance with General Condition 13 (*Notices*)) of the detailed description of the Asset Package, if any, in lieu of the Prior Deliverable Obligation or Package Observable Bond, if any, specified as Valuation Obligation(s) in the Notice of Valuation Settlement or Valuation Settlement Amendment Notice, as applicable, it being understood in each case that any such notice of correction shall not constitute a Valuation Settlement Amendment Notice.

If "*Mod R*" is specified in the Applicable Pricing Supplement and Restructuring is the only Credit Event specified in a Credit Event Notice, then unless the Valuation Obligation is a Prior Deliverable Obligation and Asset Package Delivery applies due to Governmental Intervention, a Valuation Obligation may be included in the Valuation Reference Holding only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the applicable Restructuring Maturity Limitation Date, in each case, as of each such date as the Calculation Agent determines relevant for purposes of the Hedging Arrangements, or if none at the relevant time, the VSN Effective Date.

If "*Mod R*" is specified in the Applicable Pricing Supplement and Restructuring is the only Credit Event specified in a Credit Event Notice, then unless the Valuation Obligation is a Prior Deliverable Obligation and Asset Package Delivery applies due to a Governmental Intervention, a Valuation Obligation may be included in the Valuation Reference Holding only if it (i) is a Conditionally Transferable Obligation and (ii) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date, in each case, as of each such date as the Calculation Agent determines relevant for purposes of the Hedging Arrangements or if none at the relevant time, the VSN Effective Date. For the purposes of this paragraph only and notwithstanding the foregoing, in the case of a Restructured Bond or Loan with a final maturity date on or prior to the 10-year Limitation Date, the final maturity date of such Bond or Loan shall be deemed to be the earlier of such final maturity date or the final maturity date of such Bond or Loan immediately prior to the relevant Restructuring.

The relevant Asset Package, if applicable, will be deemed to be a Valuation Obligation and the composition of the Asset Package and the Valuation Reference Holding in respect of each nominal amount of Credit Linked Notes equal to the Nominal Amount will be determined by reference to the relevant Prior Deliverable Obligation or Package Observable Bond specified as Valuation Obligation(s) in the relevant Notice of Valuation Settlement or Valuation Settlement Amendment Notice, as applicable. Where appropriate the Calculation Agent may make any adjustment in relation to provisions for valuation and determination of the Final Price to take account of the relevant Asset Package. Asset Package Delivery will apply if an Asset Package Credit Event occurs, unless (i) such Asset Package Credit Event occurs prior to (a) the Trade Date or, if earlier and if specified as applicable in the Applicable Pricing Supplement, the Credit Event Backstop Date determined in respect of the Credit Event specified in the Credit Event Notice or, (b) where Auction Settlement is specified as the applicable Settlement Method and Local Market Variation is specified as not applicable, in each case, in the Applicable Pricing Supplement, the Credit Event Backstop Date determined in respect of the Credit Event specified in the DC Credit Event Announcement applicable to the Credit Event Determination Date (regardless of whether the Credit Event Backstop Date is specified as applicable in the Applicable Pricing Supplement) or, if later and if Credit Event Backstop Date is not specified as applicable in the Applicable Pricing Supplement, the Trade Date, or (ii) if the Reference Entity is a Sovereign, no Package Observable Bond exists immediately prior to such Asset Package Credit Event. Notwithstanding the foregoing, if Sovereign No Asset Package Delivery is specified as applicable in the Applicable Pricing Supplement it shall be deemed that no Package

Observable Bond exists with respect to a Reference Entity that is a Sovereign (even if such a Package Observable Bond has been published by ISDA) and accordingly, Asset Package Delivery shall not apply thereto.

**If a Credit Event Determination Date has occurred and the Notes become redeemable in accordance with this Credit Linked Condition 3 (*Cash Settlement*), upon payment of the Cash Settlement Amounts in respect of the Notes, the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The Cash Settlement Amount may be less than the nominal amount of a Credit Linked Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.**

#### 4. PHYSICAL SETTLEMENT

If a Credit Event Determination Date has occurred, then where Physical Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement or Credit Linked Condition 2(b)(y) applies, the Issuer shall give notice (such notice, a "**Notice of Physical Settlement**") to the Noteholders in accordance with General Condition 13 (*Notices*) and subject to these Credit Linked Conditions, in particular Credit Linked Condition 1 (*Redemption Following the Occurrence of a Credit Event*), redeem all but not some only of the Credit Linked Notes, each Credit Linked Note being redeemed by the Issuer by the Delivery of the Deliverable Obligations comprising the Entitlement on the Physical Settlement Date, subject to and in accordance with this Credit Linked Condition 4 (*Physical Settlement*) and Credit Linked Condition 10 (*Partial Cash Settlement*). The relevant Asset Package, if applicable, will be deemed to be a Deliverable Obligation and the composition of the Asset Package and the Entitlement in respect of each nominal amount of Credit Linked Notes equal to the Nominal Amount will be determined by reference to the relevant Prior Deliverable Obligation or Package Observable Bond specified in the relevant Notice of Physical Settlement or Physical Settlement Amendment Notice, as applicable. Where appropriate the Calculation Agent may make any adjustment in relation to provisions for physical delivery and determination of the Entitlement to take account of the relevant Asset Package.

The Notice of Physical Settlement shall describe the Deliverable Obligations comprising the Entitlement that the Issuer reasonably expects to Deliver. For the avoidance of doubt, the Issuer shall be entitled to select any of the Deliverable Obligations to constitute the Entitlement, irrespective of their market value.

The Issuer may, from time to time, amend a Notice of Physical Settlement by delivering a notice to Noteholders in accordance with General Condition 13 (*Notices*), (each such notification, a "**Physical Settlement Amendment Notice**") that the Issuer is replacing, in whole or in part, one or more Deliverable Obligations specified in the Notice of Physical Settlement or a prior Physical Settlement Amendment Notice, as applicable, (to the extent the relevant Deliverable Obligation has not been Delivered as of the date such Physical Settlement Amendment Notice is effective). A Physical Settlement Amendment Notice shall specify each replacement Deliverable Obligation that the Issuer will Deliver (each, a "**Replacement Deliverable Obligation**") and shall also specify the Outstanding Principal Balance or Due and Payable Amount (determined on the same basis as in the definition of "Entitlement") of each Deliverable Obligation identified in the Notice of Physical Settlement or a prior Physical Settlement Amendment Notice, as applicable, that is being replaced or the equivalent Currency Amount of any such amount (with respect to each such Deliverable Obligation, the "**Replaced Deliverable Obligation Outstanding Amount**"). The Replacement Deliverable Obligation(s), taken together, shall have an aggregate Replaced Deliverable Obligation Outstanding Amount at least equal to the Outstanding Principal Balance(s) and/or Due and Payable Amount(s) (or the equivalent Currency Amount(s) of

any such amount(s)) of the Deliverable Obligations being replaced. Each such Physical Settlement Amendment Notice must be effective on or prior to the Physical Settlement Date (determined without reference to any change resulting from such Physical Settlement Amendment Notice). Notwithstanding the foregoing, (i) the Issuer may correct any errors or inconsistencies contained in the Notice of Physical Settlement or any Physical Settlement Amendment Notice, as applicable, by notice to the Noteholders in accordance with General Condition 13 (*Notices*), prior to the relevant Delivery Date; and (ii) if Asset Package Delivery is applicable, the Issuer shall on the PSN Effective Date, or as soon as reasonably practicable thereafter (but in any case, prior to the Delivery Date), notify the Noteholders (in accordance with General Condition 13 (*Notices*)) of the detailed description of the Asset Package, if any, that the Issuer will Deliver in lieu of the Prior Deliverable Obligation or Package Observable Bond, if any, specified in the Notice of Physical Settlement or Physical Settlement Amendment Notice, as applicable, it being understood in each case that any such notice of correction shall not constitute a Physical Settlement Amendment Notice.

If "*Mod R*" is specified in the Applicable Pricing Supplement and Restructuring is the only Credit Event specified in a Credit Event Notice, then unless the Deliverable Obligation is a Prior Deliverable Obligation and Asset Package applies due to a Governmental Intervention, a Deliverable Obligation may be included in the Entitlement only if it (i) is a Fully Transferable Obligation and (ii) has a final maturity date not later than the Restructuring Maturity Limitation Date, in each case, as of such date as the Calculation Agent determines relevant for the purposes of the Hedging Arrangements, or if none at the relevant time, both the PSN Effective Date and the Delivery Date, as applicable.

If "*Mod Mod R*" is specified in the Applicable Pricing Supplement and Restructuring is the only Credit Event specified in a Credit Event Notice, then unless the Deliverable Obligation is a Prior Deliverable Obligation and Asset Package applies due to a Governmental Intervention then a Deliverable Obligation may be included in the Entitlement only if it (i) is a Conditionally Transferable Obligation and (ii) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date, in each case, as of each such date as the Calculation Agent determines relevant for the purposes of the Hedging Arrangements, or if none at the relevant time, both the PSN Effective Date and the Delivery Date. For the purposes of this paragraph only and notwithstanding the foregoing, in the case of a Restructured Bond or Loan with a final maturity date on or prior to the 10-year Limitation Date, the final maturity date of such Bond or Loan shall be deemed to be the earlier of such final maturity date or the final maturity date of such Bond or Loan immediately prior to the relevant Restructuring.

Asset Package Delivery will apply if an Asset Package Credit Event occurs, unless (i) such Asset Package Credit Event occurs prior to (a) the Trade Date or, if earlier and if specified as applicable in the Applicable Pricing Supplement, the Credit Event Backstop Date determined in respect of the Credit Event specified in the Credit Event Notice or, (b) where Auction Settlement is specified as the applicable Settlement Method and Local Market Variation is specified as not applicable, in each case, as specified in the Applicable Pricing Supplement, the Credit Event Backstop Date determined in respect of the Credit Event specified in the DC Credit Event Announcement applicable to the Credit Event Determination Date (regardless of whether the Credit Event Backstop Date is specified as applicable in the Applicable Pricing Supplement) or, if later and if Credit Event Backstop Date is not specified as applicable in the Applicable Pricing Supplement, the Trade Date, or (ii) if the Reference Entity is a Sovereign, no Package Observable Bond exists immediately prior to such Asset Package Credit Event. Notwithstanding the foregoing, if Sovereign No Asset Package Delivery is specified as applicable in the Applicable Pricing Supplement, it shall be deemed that no Package Observable Bond exists with respect to a Reference Entity that is a Sovereign (even if such a Package Observable Bond has been published by ISDA) and accordingly, Asset Package Delivery shall not apply thereto.

**If a Credit Event Determination Date has occurred and the Notes become redeemable in accordance with this Credit Linked Condition 4 (*Physical Settlement*), upon Delivery of the Deliverable Obligations and/or payment of the Partial Cash Settlement Amount, as the case may be, the Issuer shall have discharged its obligations in respect of the Credit Linked Notes and shall have no other liability or obligation whatsoever in respect thereof. The value of such Deliverable Obligations and/or the Partial Cash Settlement Amount may be less than the nominal amount of a Credit Linked Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.**

- 4.1 Subject as provided herein, the Issuer shall Deliver the Deliverable Obligations comprising the Entitlement to the Designated Transferee on or before the Physical Settlement Date in the manner referred to in Credit Linked Condition 4.2 below.
- 4.2 In order to obtain Delivery of the Deliverable Obligations comprising the Entitlement in respect of any Credit Linked Note, the relevant Noteholder must deliver to the Principal Paying Agent within five (5) Business Days of the date of delivery of the Notice of Physical Settlement (the "**Cut-Off Date**"), a duly completed Credit Asset Transfer Notice as referred to in Credit Linked Condition 4.3 below together with, where applicable, the Certificates relating to the Credit Linked Notes. No Credit Asset Transfer Notice may be withdrawn after receipt thereof. Where applicable, no transfers of the Credit Linked Notes the subject thereof will be effected by the Principal Paying Agent after delivery of a Credit Asset Transfer Notice.

Forms of the Credit Asset Transfer Notice may be obtained during normal business hours from the specified office of each Paying Agent.

- 4.3 A Credit Asset Transfer Notice shall:
- (a) specify the name of the Noteholder;
  - (b) specify the name, physical and postal address and the banking and securities safe custody account details of the Designated Transferee;
  - (c) specify the Nominal Amount of Credit Linked Notes which are the subject of such notice;
  - (d) irrevocably instruct and authorise the Principal Paying Agent to cancel the relevant Credit Linked Notes and Certificates;
  - (e) if Unwind Costs apply, specify a cash account to which any Unwind Costs Payment Amount can be paid;
  - (f) authorise the production of such notice in any applicable administrative or legal proceedings; and
  - (g) either (i) include an undertaking to pay all Delivery Expenses on or prior to the Delivery Expenses Cut-off Date (as defined below); or (ii) instruct the Issuer to deduct in the calculation of the Entitlement Obligations with a market value determined by the Calculation Agent equal to the Delivery Expenses.

***Noteholders should note that if they elect to pay all Delivery Expenses but have not done so on or prior to the Delivery Expenses Cut-off Date, notwithstanding such election, the Delivery Expenses will be deducted in the calculation of the Entitlement as provided in the definition thereof.***

If Unwind Costs apply and are negative, the absolute value of the Unwind Costs (the "**Unwind Costs Payment Amount**") will be payable to the Noteholder to the account specified for these purposes in their Credit Asset Transfer Notice on or prior to the Physical Settlement Date or the Latest Permissible Physical Settlement Date, as applicable, or, if Credit Linked Condition 10 (*Partial Cash Settlement*) applies, the last occurring Partial Cash Settlement Date.

Failure to properly complete and deliver a Credit Asset Transfer Notice and, where applicable, the relevant Certificates, may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered shall be made by the Principal Paying Agent in its sole and absolute discretion and shall be binding on the relevant Noteholder and the Issuer.

- 4.4 Upon receipt of a duly completed Credit Asset Transfer Notice, the Principal Paying Agent shall, in the case of Registered Notes, verify that the person specified in the notice as the Noteholder is the holder of the Note referred to therein according to the Register, and in the case of Bearer Notes, the Principal Paying Agent may for all purposes regard the person disclosed as the Noteholder in the Credit Asset Transfer Notice as the holder of the Note and the Principal Paying Agent shall not be required to perform any further verification or confirmation as to the identity of the holder of the Note.

The Deliverable Obligations comprising the Entitlement in respect of each Credit Linked Note will be Delivered at the risk of the relevant Noteholder in such commercially reasonable manner as the Calculation Agent shall in its sole discretion determine and the Issuer shall notify to the Designated Transferee or in such manner as specified in the Applicable Pricing Supplement. Any Designated Transferee other than the Noteholder shall be deemed to be the duly authorised agent of the Noteholder and any Delivery or payment to such person shall be deemed for all purposes to be a Delivery or payment to the Noteholder and shall satisfy the Issuer's obligations in respect thereof. Such person shall not be entitled to enforce any of the Noteholder's rights against the Issuer and the Issuer shall have no liability or obligation to or in respect of the Designated Transferee. By delivery of a Credit Asset Transfer Notice, the Noteholder shall be deemed to represent that the Designated Transferee has agreed to the foregoing.

If the Credit Asset Transfer Notice and where applicable, the relevant Certificates, are delivered to the Issuer later than close of business on the Cut-Off Date, then the Deliverable Obligations comprising the Entitlement in respect of the relevant Credit Linked Notes will be Delivered as soon as practicable after the date on which the duly completed Credit Asset Transfer Notice is received, at the risk of the relevant Noteholder in the manner provided above. For the avoidance of doubt, such Noteholder shall not be entitled to any payment or to other assets, whether in respect of interest or otherwise, in the event of such later Delivery of the Deliverable Obligations comprising the Entitlement and such later Delivery shall not constitute an Event of Default.

If the Noteholder fails to deliver a Credit Asset Transfer Notice in the manner set out herein or, where applicable, fails to deliver the Certificates related thereto within one calendar year of the Credit Event Determination Date, the Issuer shall be discharged from its obligations in respect of such Credit Linked Notes and shall have no further obligation or liability whatsoever in respect thereof.

- 4.5 If, on the Physical Settlement Date, the Calculation Agent determines that any Deliverable Obligations comprising an Entitlement are Undeliverable Obligations, the Issuer shall Deliver or procure the Delivery of the Deliverable Obligations which it is not impossible, impracticable or illegal to Deliver and, as soon as possible thereafter, the Issuer shall Deliver or procure the Delivery of the Undeliverable Obligations.

If all or a portion of such Undeliverable Obligations are not Delivered by the Latest Permissible Physical Settlement Date, the provisions of Credit Linked Condition 10 (*Partial Cash Settlement*) shall apply.

The relevant Noteholder shall not be entitled to any payment or to other assets, whether in respect of interest or otherwise, in the event of such late Delivery of or failure to Deliver such Undeliverable Obligations and such late Delivery or failure to Deliver shall not constitute an Event of Default.

- 4.6 Until Delivery of the Deliverable Obligations comprising the Entitlement is made, the Issuer or any person holding such assets on behalf of the Issuer shall continue to be the legal owner of those assets. After Delivery of the Deliverable Obligations comprising the Entitlement and for the Intervening Period, none of the Issuer, the Calculation Agent nor any other person shall at any time (i) be under any obligation to deliver or procure delivery to the Noteholder or its Designated Transferee of any letter, certificate, notice, circular or any other document or payment whatsoever received by that person in respect of the securities or obligations included in such Entitlement, (ii) be under any obligation to exercise or procure the exercise of any or all rights (including voting rights) attaching or appertaining to such securities or obligations included in such Entitlement or (iii) be under any liability to a Noteholder for any loss, liability, damage, cost or expense that such Noteholder may sustain or suffer as a result, whether directly or indirectly, of that person being registered during such Intervening Period as legal owner of such securities or obligations included in such Entitlement.
- 4.7 Where the Entitlement is, in the determination of the Issuer, an amount other than an amount of Deliverable Obligation(s) capable of being Delivered at the relevant time, (i) the Issuer shall not Deliver and the relevant Noteholder shall not be entitled to receive in respect of its Notes that fraction of a Deliverable Obligation which is less than a whole number (the "**Fractional Entitlement**") and (ii) the Issuer shall pay to the relevant Noteholder a cash amount (to be paid at the same time as Delivery of the Deliverable Obligations comprising the Entitlement) equal to the fair market value (as determined by the Calculation Agent) of such Fractional Entitlement.
- 4.8 The costs, taxes, duties and/or expenses (including stamp duty, stamp duty reserve tax and/or other costs, duties or taxes) (the "**Delivery Expenses**") of effecting any Delivery of the Deliverable Obligations comprising the Entitlement (except for the expenses of delivery by uninsured regular mail (if any) which shall be borne by the Issuer) shall, in the absence of any provision to the contrary in the Applicable Pricing Supplement, be borne by the relevant Noteholder and shall, unless otherwise specified in the Applicable Pricing Supplement, either be:
- (a) paid to the Issuer by such Noteholder on or prior to the day falling 10 (ten) Business Days following the date of delivery of the Credit Asset Transfer Notice (the "**Delivery Expenses Cut-off Date**") and in any event prior to the Delivery of the Deliverable Obligations comprising the Entitlement (and, for the avoidance of doubt, the Issuer shall not be required to Deliver such Deliverable Obligations until it has received such payment); or
  - (b) if so instructed by such Noteholder in the Credit Asset Transfer Notice or if the Noteholder has not paid the Delivery Expenses on or prior to the Delivery Expenses Cut-off Date, deducted by the Issuer in the calculation of the Entitlement.

## 5. ACCRUAL OF INTEREST

If:

- (i) "Accrual of Interest upon Credit Event" is specified as not applicable in the Applicable Pricing Supplement, no interest shall be payable (and accordingly will be deemed not to have accrued) in respect of a Note in respect of which the relevant date for payment thereof (as may be adjusted pursuant to these Credit Linked Conditions) has not occurred on or prior to the Credit Event Determination Date, or, if the Credit Event Determination Date falls prior to the first interest payment date, no interest shall accrue on the Notes; or
- (ii) "Accrual of Interest upon Credit Event" is specified as applicable in the Applicable Pricing Supplement, each Note shall cease to bear interest from the Credit Event Determination Date,

provided that, if:

- (A) Credit Linked Condition 6 (*Repudiation/Moratorium Extension*), Credit Linked Condition 7 (*Grace Period Extension*) or Credit Linked Condition 8 (*Credit Derivatives Determinations Committee Extension*) applies in respect of the Notes and, in the case of Credit Linked Condition 6 (*Repudiation/Moratorium Extension*), a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date or, in the case of Credit Linked Condition 7 (*Grace Period Extension*) a Failure to Pay has not occurred on or prior to the Grace Period Extension Date or, in the case of Credit Linked Condition 8 (*Credit Derivatives Determinations Committee Extension*), a Credit Event has not occurred on or prior to the DC Determination Cut-off Date, as the case may be; and/or
- (B) Credit Linked Condition 9 (*Maturity Date Extension*) applies in respect of the Notes and a Credit Event Determination Date or the Repudiation/Moratorium Extension Condition, as applicable, has not occurred or is not satisfied on or prior to the Postponed Cut-Off Date,

then interest will accrue as provided in Credit Linked Condition 6 (*Repudiation/Moratorium Extension*), Credit Linked Condition 7 (*Grace Period Extension*), Credit Linked Condition 8 (*Credit Derivatives Determinations Committee Extension*) or Credit Linked Condition 9 (*Maturity Date Extension*), as the case may be.

## **6. REPUDIATION/MORATORIUM EXTENSION**

If "Repudiation/Moratorium" is specified as a Credit Event in the Applicable Pricing Supplement, the provisions of this Credit Linked Condition 6 (*Repudiation/Moratorium Extension*) shall apply.

Where a Credit Event Determination Date has not occurred on or prior to the Scheduled Maturity Date but the Repudiation/Moratorium Extension Condition has been satisfied on or prior to the Scheduled Maturity Date or, if Credit Linked Condition 9(b) applies, the Postponed Cut-Off Date (as defined in Credit Linked Condition 9 (*Maturity Date Extension*)) and the Repudiation/Moratorium Evaluation Date in respect of such Potential Repudiation Moratorium will, in the sole determination of the Calculation Agent, fall after the Scheduled Maturity Date, then the Issuer shall notify the Noteholders in accordance with General Condition 13 (*Notices*) that a Potential Repudiation/Moratorium has occurred and the maturity of the Notes will be delayed and:

- (a) where a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date:

- (i) each Note will be redeemed by the Issuer at the Final Redemption Amount on the second Business Day following the Repudiation/Moratorium Evaluation Date or, if later, the Postponed Cut-Off Date; and
  - (ii) in the case of interest bearing Notes, the Issuer shall be obliged to pay interest (if any) calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the second Business Day following the Repudiation/Moratorium Evaluation Date or, if later, the Postponed Cut-Off Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or
- (b) where a Repudiation/Moratorium has occurred on or prior to the Repudiation/Moratorium Evaluation Date and a Credit Event Determination Date has occurred, the provisions of Credit Linked Condition 1 (*Redemption Following the Occurrence of a Credit Event*) and Credit Linked Condition 2 (*Auction Settlement*), Credit Linked Condition 3 (*Cash Settlement*) or Credit Linked Condition 4 (*Physical Settlement*), as applicable, shall apply to the Notes.

## 7. GRACE PERIOD EXTENSION

If "Grace Period Extension" is specified as applicable in the Applicable Pricing Supplement, the provisions of this Credit Linked Condition 7 (*Grace Period Extension*) shall apply.

Where a Credit Event Determination Date has not occurred on or prior to the Scheduled Maturity Date but, in the determination of the Calculation Agent, a Potential Failure to Pay has occurred with respect to one or more Obligation(s) in respect of which a Grace Period is applicable on or prior to the Scheduled Maturity Date (and such Grace Period(s) is/are continuing as at the Scheduled Maturity Date), then the Issuer shall notify the Noteholders in accordance with General Condition 13 (*Notices*) that a Potential Failure to Pay has occurred and the maturity of the Notes will be delayed and:

- (a) where a Failure to Pay has not occurred on or prior to the Grace Period Extension Date:
  - (i) each Note will be redeemed by the Issuer at the Final Redemption Amount on the Grace Period Extension Date; and
  - (ii) in the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the Grace Period Extension Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or
- (b) where a Failure to Pay has occurred on or prior to the Grace Period Extension Date and a Credit Event Determination Date has occurred, the provisions of Credit Linked Condition 1 (*Redemption Following the Occurrence of a Credit Event*) and Credit Linked Condition 2 (*Auction Settlement*), Credit Linked Condition 3 (*Cash*



*Settlement*) or Credit Linked Condition 4 (*Physical Settlement*), as applicable, shall apply to the Credit Linked Notes.

## 8. CREDIT DERIVATIVES DETERMINATIONS COMMITTEE EXTENSION

Where Auction Settlement is specified in the Applicable Pricing Supplement as the applicable Settlement Method, if, in the determination of the Calculation Agent, a Potential Credit Event has occurred and the Credit Derivatives Determinations Committee has not made its determination on or prior to the Scheduled Maturity Date then the Issuer shall notify Noteholders in accordance with General Condition 13 (*Notices*) that the Maturity Date has been postponed to a date (the "**DC Determination Postponed Date**") being the day falling five (5) Business Days after (a) if the Credit Derivatives Determinations Committee Resolves that a Credit Event has occurred, 15 (fifteen) Business Days following the relevant DC Credit Event Announcement or (b) if the Credit Derivatives Determinations Committee Resolves that a Credit Event has not occurred, the second Business Day following the relevant DC No Credit Event Announcement or, as applicable, (c) 15 (fifteen) Business Days following the DC Credit Event Question Dismissal (the date of the relevant DC Credit Event Announcement, DC No Credit Event Announcement or DC Credit Event Question Dismissal, as applicable, the "**DC Determination Cut-off Date**"), and:

- (a) where a Credit Event has not occurred on or prior to the DC Determination Cut-off Date:
  - (i) each Note will be redeemed by the Issuer at the Final Redemption Amount on the relevant DC Determination Postponed Date; and
  - (ii) in the case of interest bearing Notes, the Issuer shall be obliged to pay interest calculated as provided herein, accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or if none the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the relevant DC Determination Postponed Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or
- (b) where a Credit Event has occurred on or prior to the DC Determination Cut-off Date and a Credit Event Determination Date has occurred, the provisions of Credit Linked Condition 1 (*Redemption Following the Occurrence of a Credit Event*) and Credit Linked Condition 2 (*Auction Settlement*), Credit Linked Condition 3 (*Cash Settlement*) or Credit Linked Condition 4 (*Physical Settlement*), as applicable, shall apply to the Credit Linked Notes.

## 9. MATURITY DATE EXTENSION

The following provisions of this Credit Linked Condition 9 (*Maturity Date Extension*) apply to Credit Linked Notes and, for the avoidance of doubt, may be applied on more than one occasion:

Without prejudice to Credit Linked Condition 11 (*Settlement Suspension*), if on or prior to:

- (a) (A) the Scheduled Maturity Date, (B), if applicable, the Repudiation/Moratorium Evaluation Date, (C) if Grace Period Extension is specified as applying in the Applicable Pricing Supplement, the Grace Period Extension Date, (D) the last day of the Notice Delivery Period or (E) if Auction Settlement is specified as the

applicable Settlement Method, the DC Determination Cut-off Date, as the case may be, a Credit Event Determination Date has not occurred but, in the determination of the Calculation Agent, a Credit Event or Potential Credit Event (other than a Potential Repudiation/Moratorium) may have occurred; or

- (b) the Scheduled Maturity Date, in the determination of the Calculation Agent, a Potential Repudiation/Moratorium may have occurred,

the Issuer may at its option notify the Noteholders in accordance with General Condition 13 (*Notices*) that redemption of the Notes has been postponed and, in the case of (a) above, the Repudiation/Moratorium Evaluation Date, the Grace Period Extension Date, the last day of the Notice Delivery Period (which for these purposes shall apply in the case of (a)(A) as well as (a)(D) above or, where Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement, the DC Determination Cut-off Date, as the case may be, has been postponed to the Postponed Cut-off Date, and:

where:

- (a) in the case of Credit Linked Condition 9(a) above, a Credit Event Determination Date has not occurred on or prior to the Postponed Cut-off Date or, in the case of Credit Linked Condition 9(b) above, the Repudiation/Moratorium Extension Condition is not satisfied on or prior to the Postponed Cut-off Date:

- (i) subject as provided below each Note will be redeemed by the Issuer at the Final Redemption Amount on the Postponed Maturity Date; and

- (ii) in the case of interest bearing Credit Linked Notes, the Issuer shall be obliged to pay interest calculated as provided herein accruing from (and including) the Interest Payment Date immediately preceding the Scheduled Maturity Date or, if none, the Interest Commencement Date to (but excluding) the Scheduled Maturity Date but shall only be obliged to make such payment of interest on the Postponed Maturity Date and no further or other amount in respect of interest shall be payable and no additional amount shall be payable in respect of such delay; or

- (b) where:

- (i) in the case of Credit Linked Condition 9(a) above, a Credit Event Determination Date has occurred on or prior to the Postponed Cut-off Date, the provisions of Credit Linked Condition 1 (*Redemption Following the Occurrence of a Credit Event*) and Credit Linked Condition 2 (*Auction Settlement*), Credit Linked Condition 3 (*Cash Settlement*) or Credit Linked Condition 4 (*Physical Settlement*), as applicable, shall apply to the Credit Linked Notes; or

- (ii) in the case of Credit Linked Condition 9(b) above, the Repudiation/Moratorium Extension Condition is satisfied on or prior to the Postponed Cut-off Date, the provisions of Credit Linked Condition 6 (*Repudiation/Moratorium Extension*) shall apply to the Credit Linked Notes.

For the purposes hereof:

**"Postponed Cut-Off Date"** means the fifteenth (15th) Business Day after the Scheduled Maturity Date, the relevant Repudiation/Moratorium Evaluation Date or Grace Period Extension Date, or the last date of the Notice Delivery Period or, where Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement, the DC Determination Cut-off Date, as the case may be; and

**"Postponed Maturity Date"** means the fifth (5th) Business Day after the Postponed Cut-off Date.

## 10. PARTIAL CASH SETTLEMENT

- 10.1 If all or a portion of the Obligations comprising the Entitlement are Undeliverable Obligations and/or Hedge Disruption Obligations and are not Delivered on or prior to the Latest Permissible Physical Settlement Date, the Issuer shall give notice (a **"Partial Cash Settlement Notice"**) to the Noteholders in accordance with General Condition 13 (*Notices*) and the Issuer shall pay in respect of each Undeliverable Obligation and/or Hedge Disruption Obligation, as the case may be, the Partial Cash Settlement Amount on the Partial Cash Settlement Date.

In the Partial Cash Settlement Notice, the Issuer must give details of why it is unable to deliver the relevant Undeliverable Obligations or Hedge Disruption Obligation, as the case may be.

- 10.2 Unless otherwise specified in the Applicable Pricing Supplement, for the purposes of this Credit Linked Condition 10 (*Partial Cash Settlement*) only the following terms shall be defined as follows and such definitions will apply notwithstanding other definitions of such terms in Credit Linked Condition 12 (*Credit Linked Definitions*):

**"Indicative Quotation"** means, in accordance with the Quotation Method, each quotation obtained from a Quotation Dealer at the Valuation Time for (to the extent reasonably practicable) an amount of the Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, equal to the Quotation Amount, which reflects such Quotation Dealer's reasonable assessment of the price of such Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, based on such factors as such Quotation Dealer may consider relevant, which may include historical prices and recovery rates.

**"Market Value"** means, with respect to an Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, on a Valuation Date, (i) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotations have the same highest or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (ii) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (iii) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations; (iv) if fewer than two Full Quotations are obtained and a Weighted Average Quotation is obtained, such Weighted Average Quotation; (v) if Indicative Quotations are specified as applying in the Applicable Pricing Supplement and exactly three Indicative Quotations are obtained, the Indicative Quotation remaining after disregarding the highest and lowest Indicative Quotations (and, if more than one such Indicative Quotations have the same highest or lowest value, then one of such highest or lowest Indicative Quotations shall be disregarded); (vi) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained (and, if Indicative Quotations are

applicable, fewer than three Indicative Quotations are obtained) then, subject to paragraph (a) of the definition of "Quotation" below, an amount as determined by the Calculation Agent on the next Business Day on which at least two Full Quotations or a Weighted Average Quotation or, if applicable, three Indicative Quotations are obtained; and (vii) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than three Indicative Quotations are obtained) on the same Business Day on or prior to the tenth Business Day following the Valuation Date the Market Value shall be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day.

There shall be no "**Minimum Quotation Amount**".

"**Partial Cash Settlement Amount**" is deemed to be, for an Undeliverable Obligation or a Hedge Disruption Obligation, as the case may be, an amount calculated by the Calculation Agent equal to the greater of (i) (A) the Outstanding Principal Balance, the Due and Payable Amount or the Currency Amount, as applicable, of each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, multiplied by (B) the Final Price with respect to such Undeliverable Obligation or Hedge Disruption Obligation, determined as provided in this Credit Linked Condition less if applicable (C) a *pro rata* share of Unwind Costs, if any (but excluding any Unwind Costs already taken into account in calculating the relevant Entitlement), and (ii) zero provided that where (i) the relevant Undeliverable Obligation or Hedge Disruption Obligation forms part of the Asset Package and the Calculation Agent determines in its sole discretion that a Final Price cannot reasonably be determined in respect of such Undeliverable Obligation or Hedge Disruption Obligation, then the Partial Cash Settlement Amount will be an amount calculated by the Calculation Agent in its sole discretion equal to the fair market value of the relevant Undeliverable Obligation or Hedge Disruption Obligation less Unwind Costs.

"**Partial Cash Settlement Date**" is deemed to be the date falling three (3) Business Days after the calculation of the Final Price.

"**Quotation**" means each Full Quotation, the Weighted Average Quotation and, if Indicative Quotations are specified as applying in the Applicable Pricing Supplement, each Indicative Quotation obtained and expressed as a percentage of the Outstanding Principal Balance or Due and Payable Amount, as applicable, of the relevant Undeliverable Obligation or Hedge Disruption Obligation with respect to a Valuation Date in the manner that follows:

- (a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three (3) Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Quotation Dealers, and, if two or more Full Quotations are not available, a Weighted Average Quotation. If two or more such Full Quotations or a Weighted Average Quotation are not available on any such Business Day and Indicative Quotations are specified as applying in the Applicable

Pricing Supplement, the Calculation Agent shall attempt to obtain three Indicative Quotations from five or more Quotation Dealers.

- (b) If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation (or, if Indicative Quotations are specified as applying in the Applicable Pricing Supplement, three Indicative Quotations) on the same Business Day on or prior to the tenth Business Day following the Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation or the Hedge Disruption Obligation, as the case may be, obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day.
- (c) The Calculation Agent shall determine, based on the then current market practice in the market of the relevant Undeliverable Obligation or Hedge Disruption Obligations, as the case may be, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this determination.

**"Quotation Amount"** is deemed to be, with respect to each type or issue of Undeliverable Obligation or Hedge Disruption Obligation, as the case may be, an amount equal to at least the Outstanding Principal Balance or Due and Payable Amount (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent by reference to exchange rates in effect at the time that the relevant Quotation is being obtained), as applicable, of such Undeliverable Obligation or Hedge Disruption Obligations, as the case may be.

**"Quotation Method"** is deemed to be Bid.

**"Reference Obligation"** is deemed to be each Undeliverable Obligation or Hedge Disruption Obligation, as the case may be.

**"Valuation Method"** is deemed to be Highest unless fewer than two Full Quotations are obtained, or a Weighted Average Quotation applies (or, if applicable, Indicative Quotations), in which case "Valuation Method" is deemed to be Market.

**"Valuation Time"** is the time specified as such in the Applicable Pricing Supplement, or, if no time is so specified, 11:00 a.m. in the principal trading market for the Undeliverable Obligation or the Hedge Disruption Obligation, as the case may be.

**"Weighted Average Quotation"** means, in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Undeliverable Obligation or the Hedge Disruption Obligation, as the case may be, with an Outstanding Principal Balance or Due and Payable Amount, as applicable, of as large a size as available but less than the Quotation Amount that in aggregate are approximately equal to the Quotation Amount.

## 11. SETTLEMENT SUSPENSION

Without prejudice to Credit Linked Condition 9 (*Maturity Date Extension*), if:

- (i) Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement; and
- (ii) following the determination of a Credit Event Determination Date but prior to the Physical Settlement Date or, to the extent applicable, a first Valuation Date, there is a DC Credit Event Meeting Announcement,

the Calculation Agent may, at its option, determine that the applicable timing requirements of these Credit Linked Conditions and the definitions of Cash Settlement Date, Valuation Date, Scheduled Maturity Date, Physical Settlement Period, PSN Cut-off Date, Valuation Obligation Observation Settlement Period and VSN Cut-off Date, and any other Credit Linked Condition provision(s) as determined by the Calculation Agent, shall toll and be suspended and remain suspended (such period of suspension, a "**Suspension Period**") until the date of the relevant DC Credit Event Announcement or DC Credit Event Question Dismissal. Once the relevant DC Credit Event Announcement or DC Credit Event Question Dismissal has occurred, the relevant timing requirements of the Credit Linked Conditions that have previously tolled or been suspended shall resume on the Business Day following such public announcement by the DC Secretary.

In the event of any such Suspension Period, the Calculation Agent may make (x) such consequential or other adjustment(s) or determination(s) to or in relation to the General Conditions and these Credit Linked Conditions as may be desirable or required either during or following any relevant Suspension Period to account for or reflect such suspension and (y) determine the effective date of such adjustment(s) or determination(s).

## 12. CREDIT LINKED DEFINITIONS

**"2.5-year Limitation Date"** has the meaning given to that term in the definition of "Limitation Date".

**"10-year Limitation Date"** has the meaning given to that term in the definition of "Limitation Date".

**"Accrued Interest"** means for the purpose of these Credit Linked Conditions:

- (a) in respect of any Notes for which "Physical Settlement" is specified to be the Settlement Method in the Applicable Pricing Supplement (or for which Physical Settlement is applicable as the Fallback Settlement Method in accordance with Credit Linked Condition 2 (*Auction Settlement*)), the Outstanding Principal Balance of the Deliverable Obligations being Delivered will exclude accrued but unpaid interest, unless "Include Accrued Interest" is specified in the Applicable Pricing Supplement, in which case, the Outstanding Principal Balance of the Deliverable Obligations being Delivered will include accrued but unpaid interest, such interest to be determined by the Calculation Agent;
- (b) in respect of any Notes for which "Cash Settlement" is specified to be the applicable Settlement Method in the Applicable Pricing Supplement (or for which Cash Settlement is applicable as the Fallback

Settlement Method in accordance with Credit Linked Condition 2 (*Auction Settlement*)), and:

- (i) "Include Accrued Interest" is specified in the Applicable Pricing Supplement, the Outstanding Principal Balance of each Valuation Obligation shall include accrued but unpaid interest;
  - (ii) "Exclude Accrued Interest" is specified in the Applicable Pricing Supplement, the Outstanding Principal Balance of each Valuation Obligation shall not include accrued but unpaid interest; or
  - (iii) neither "Include Accrued Interest" nor "Exclude Accrued Interest" is specified in the Applicable Pricing Supplement, the Calculation Agent shall determine, separately in respect of each Valuation Obligation, based on the then current market practice in the market of each Valuation Obligation whether the Outstanding Principal Balance of each Valuation Obligation shall include or exclude accrued but unpaid interest and, if applicable, the amount thereof; or
- (c) if Credit Linked Condition 10 (*Partial Cash Settlement*) applies, the Calculation Agent shall determine, based on the then current market practice in the market of the relevant Undeliverable Obligation or Hedge Disruption Obligation (as applicable), whether such Quotations shall include or exclude accrued but unpaid interest.

**"Affiliate"**

means in relation to any entity (the "**First Entity**"), any entity controlled, directly or indirectly, by the First Entity, any entity that controls, directly or indirectly, the First Entity or any entity directly or indirectly under common control with the First Entity. For these purposes "control" means ownership of a majority of the voting power of an entity.

**"Asset"**

means each obligation, equity, amount of cash, security, fee (including any "early-bird" or other consent fee), right and/or other asset, whether tangible or otherwise and whether issued, incurred, paid or provided by the Reference Entity or a third party (or any value which was realised or capable of being realised in circumstances where the right and/or other asset no longer exists).

**"Asset Market Value"**

means the market value of an Asset, as the Calculation Agent shall determine by reference to an appropriate specialist

valuation or in accordance with the methodology determined by the Credit Derivatives Determinations Committee.

**"Asset Package"**

means, in respect of an Asset Package Credit Event, all of the Assets in the proportion received or retained by a Relevant Holder in connection with such relevant Asset Package Credit Event (which may include the Prior Deliverable Obligation or Package Observable Bond, as the case may be). If the Relevant Holder is offered a choice of Assets or a choice of combinations of Assets, the Asset Package will be the Largest Asset Package. If the Relevant Holder is offered, receives and retains nothing, the Asset Package shall be deemed to be zero. The Asset Package shall at all times be determined in accordance with publicly available information.

**"Asset Package Credit Event"**

means:

- (a) if "Financial Reference Entity Terms" and "Governmental Intervention" are specified as applicable in the Applicable Pricing Supplement:
  - (i) a Governmental Intervention; or
  - (ii) a Restructuring in respect of the Reference Obligation, if "Restructuring" is specified as applicable in the Applicable Pricing Supplement and such Restructuring does not constitute a Governmental Intervention; and
- (b) if the Reference Entity is a Sovereign and "Restructuring" is specified as applicable in the Applicable Pricing Supplement, a Restructuring,

in each case, whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or, where Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement, the DC Credit Event Announcement.

**"Auction"**

shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Cancellation Date"**

shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Covered Transaction"**

shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.

**"Auction Final Price"**

shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.



<b>"Auction Final Price Determination Date"</b>	shall have the meaning as shall be set forth in the relevant Transaction Auction Settlement Terms.
<b>"Auction Settlement Date"</b>	shall mean the date that is the number of Business Days as shall be specified in the relevant Transaction Auction Settlement Term (or, if a number of Business Days is not so specified, 5 (five) Business Days) immediately following the Auction Final Price Determination Date.
<b>"Auction Settlement Notice"</b>	has the meaning given to that term in Credit Linked Condition 2 ( <i>Auction Settlement</i> ).
<b>"Bankruptcy"</b>	means the Reference Entity: <ul style="list-style-type: none"> <li>(a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);</li> <li>(b) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due;</li> <li>(c) makes a general assignment, arrangement, scheme or composition with or for the benefit of its creditors generally, or such a general assignment, arrangement, scheme or composition becomes effective;</li> <li>(d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other similar relief under any bankruptcy or insolvency law or other law affecting creditors' rights, or a petition is presented for its winding-up or liquidation or the commencement of business rescue proceedings, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or the commencement of business rescue proceedings or (ii) is not dismissed, discharged, stayed or restrained in each case within thirty (30) calendar days of the institution or presentation thereof or before the Scheduled Maturity Date, whichever is earlier;</li> <li>(e) has a resolution passed for its winding-up or liquidation or the commencement of business rescue proceedings (other than pursuant to a consolidation, amalgamation or merger);</li> <li>(f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, business rescue</li> </ul>

practitioner, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;

- (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within thirty (30) calendar days thereafter or before the Scheduled Maturity Date (in the case of Credit Linked Notes), whichever is earlier; or
- (h) causes or is subject to any event with respect to which, under the applicable laws of any jurisdiction, has any analogous effect to any of the events specified in clauses (a) to (g) above.

**"Calculation Agent City Business Day"**

means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the Calculation Agent City specified in the Applicable Pricing Supplement.

**"Calculation Agent Fallback Settlement Determination Date"**

has the meaning given to that term in Credit Linked Condition 2 (*Auction Settlement*).

**"Cash Settlement Amount"**

means:

- (a) the amount specified as such in the Applicable Pricing Supplement; or
- (b) if no such amount is specified as such in the Applicable Pricing Supplement, an amount calculated by the Calculation Agent in accordance with a formula specified in the Applicable Pricing Supplement for that purpose; or
- (c) if an amount is not specified in the Applicable Pricing Supplement and a formula to determine the Cash Settlement Amount is not specified in the Applicable Pricing Supplement, an amount calculated by the Calculation Agent equal to:

$$(A \times B) - C$$

where:

A is the Nominal Amount;

B is (i) the Credit Linked Reference Price minus (ii) one minus the Final Price or, if Auction Settlement

is specified as the applicable Settlement Method in the Applicable Pricing Supplement and Credit Linked Condition 3 (*Cash Settlement*) does not apply, the Auction Final Price; and

C is Unwind Costs,

provided that in no event shall the Cash Settlement Amount be less than zero.

**"Cash Settlement Date"**

means, subject to Credit Linked Condition 11 (*Settlement Suspension*):

- (a) if the Cash Settlement Amount is not specified in the Applicable Pricing Supplement or is calculated by reference to the Final Price or the Auction Final Price, the day falling three (3) Business Days, or such other number of Business Days specified in the Applicable Pricing Supplement, after (i) the calculation of the Final Price or (ii) the Auction Settlement Date as applicable; or
- (b) if paragraph (a) above does not apply, the day falling three (3) Business Days, or such other number of Business Days specified in the Applicable Pricing Supplement, after the Credit Event Determination Date.

**"Cash Settlement Notice"**

has the meaning given to that term in Credit Linked Condition 3 (*Cash Settlement*).

**"Clearstream, Luxembourg"**

means Clearstream Banking, société anonyme.

**"Conditionally Transferable Obligation"**

means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Modified Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds, in each case as of each such date the Calculation Agent determines appropriate for purposes of the Hedging Arrangements or, if none at the relevant time, both the PSN Effective Date and the Delivery Date provided, however, that a Deliverable Obligation other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Reference Entity or the guarantor, if any, of a Deliverable Obligation other than Bonds (or the consent of the relevant obligor if the Reference Entity is guaranteeing such Deliverable Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Deliverable Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered to

be a requirement for consent for purposes of this definition of "Conditionally Transferable Obligation".

**"Conforming Reference Obligation"**

means a Reference Obligation which is a Deliverable Obligation determined in accordance with paragraph (a) of the definition of "Deliverable Obligation" below.

**"Credit Asset Transfer Notice"**

means a notice that complies with Credit Linked Condition 4 (*Physical Settlement*) delivered by the Noteholder to the Issuer.

**"Credit Derivatives Auction Settlement Terms"**

means any Credit Derivatives Auction Settlement Terms published by ISDA, a form of which will be published by ISDA on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) from time to time and may be amended from time to time.

**"Credit Derivatives Determinations Committee"**

means each committee established pursuant to the DC Rules for purposes of reaching certain DC Resolutions in connection with credit derivative transactions.

**"Credit Event"**

means the occurrence of any one or more of the Credit Events specified in the Applicable Pricing Supplement which may include Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium, Restructuring or Governmental Intervention, or any additional Credit Event specified as such in the Applicable Pricing Supplement.

If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon:

- (a) any lack or alleged lack of authority or capacity of the Reference Entity to enter into any Obligation or, as applicable, an Underlying Obligor to enter into any Underlying Obligation;
- (b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation, however described;
- (c) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described; or
- (d) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar

restrictions imposed by any monetary or other authority, however described.

**"Credit Event Backstop Date"**

means:

- (a) for purposes of any event that constitutes a Credit Event (or with respect to a Repudiation/Moratorium, if applicable, the event described in paragraph (b) of the definition of "Repudiation/Moratorium"), as determined by DC Resolution, the date that is sixty (60) calendar days prior to the Credit Event Resolution Request Date; or
- (b) otherwise, the date that is sixty (60) calendar days prior to the earlier of:
  - (i) if the Notice Delivery Date occurs during the Notice Delivery Period, the Notice Delivery Date; and
  - (ii) if Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement and the Notice Delivery Date occurs during the Post Dismissal Additional Period, the Credit Event Resolution Request Date.

The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

**"Credit Event Determination Date"**

means, with respect to a Credit Event with respect to which:

- (a) Auction Settlement is the applicable Settlement Method:
  - (i) subject to paragraph (a)(ii) of this definition, the Notice Delivery Date if the Notice Delivery Date occurs during either the Notice Delivery Period or the Post Dismissal Additional Period, provided that neither (A) a DC Credit Event Announcement has occurred nor (B) a DC No Credit Event Announcement has occurred, in each case, with respect to the Credit Event specified in the Credit Event Notice; or
  - (ii) notwithstanding paragraph (a)(i) of this definition, the Credit Event Resolution Request Date, if a DC Credit Event Announcement has occurred, the Credit Event Resolution Request Date has occurred

on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date) and either:

- (A)
  - (I) the Credit Event is not an M(M)R Restructuring; and
  - (II) the Trade Date occurs on or prior to a DC Announcement Coverage Cut-off Date; or
- (B)
  - (I) the Credit Event is an M(M)R Restructuring; and
  - (II) a Credit Event Notice is delivered and is effective on or prior to the Exercise Cut-off Date, provided that no Credit Event Notice specifying an M(M)R Restructuring as the only Credit Event has previously been delivered unless the M(M)R Restructuring specified in such Credit Event Notice is also the subject of the DC Credit Event Question resulting in the occurrence of the Credit Event Resolution Request Date, or the Calculation Agent otherwise determines this is consistent with the Issuer's Hedging Arrangements, or

(b) if paragraph (a) of this definition does not apply, the Non-Standard Credit Event Determination Date,

Provided further that, if Auction Settlement is the applicable Settlement Method, no Credit Event Determination Date will occur, and any Credit Event Determination Date previously determined with respect to an event shall be deemed not to have occurred, if, or to the extent that, prior to the Auction Final Price Determination Date, a Valuation Date, the Physical Settlement Date, the Cash Settlement Date or the Maturity Date, as applicable, a DC No Credit Event Announcement Date occurs with respect to the relevant event. Notwithstanding the above, if a Credit Event Determination Date is deemed not to have occurred following the deemed revocation of a Credit Event Notice in

accordance with paragraph (b) of the definition of "Credit Event" below, the Calculation Agent shall not be precluded from delivering a further Credit Event Notice subsequently.

Provided further that, if the Calculation Agent subsequently determines, in its sole and absolute discretion that a Credit Event has not occurred and delivers a Credit Event Revocation Notice to the Issuer, no Credit Event Determination Date will have occurred. Following receipt of a Credit Event Revocation Notice, the Issuer shall notify Noteholders in accordance with General Condition 13 (*Notices*).

If, in accordance with the provisions above, (i) following the determination of a Credit Event Determination Date, such Credit Event Determination Date is deemed (A) to have occurred on a date that is different from the date that was originally determined to be the Credit Event Determination Date or (B) not to have occurred or (ii) a Credit Event Determination Date is deemed to have occurred prior to one or more preceding Interest Payment Dates, the Calculation Agent will determine (1) such adjustment(s) to these Credit Linked Conditions (including any adjustment to payment amounts) as may be required to achieve as far as practicable the same economic position of Noteholders as would have prevailed had a Credit Event Determination Date occurred on such deemed date of occurrence and (2) the effective date of such adjustment(s).

**"Credit Event Notice"**

means a notice from the Calculation Agent (which may be by telephone) to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Credit Event that occurred on or after the Trade Date or, if earlier and if specified as applicable in the Applicable Pricing Supplement, the Credit Event Backstop Date and on or prior to the Extension Date,

provided that:

- (a) any Credit Event Notice that describes a Credit Event that occurred after the Scheduled Maturity Date must relate to the relevant Potential Failure to Pay, in the case of a Grace Period Extension Date, or the relevant Potential Repudiation/Moratorium, in the case of a Repudiation/Moratorium Evaluation Date; and
- (b) if Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement, and prior to the Auction Final Price Determination Date, a Valuation Date, the Physical Settlement Date, the Cash Settlement Date or the Maturity Date as applicable, a DC No Credit Event Announcement is made with respect to the Credit

Event that is the subject of the Credit Event Notice, other than where such Credit Event is a Restructuring:

- (i) if Local Market Variation if specified as not applicable in the Applicable Pricing Supplement, the Credit Event Notice shall be deemed to be revoked and no Credit Event Determination Date shall have occurred; or
- (ii) if Local Market Variation is specified as applicable in the Applicable Pricing Supplement, the Credit Event Notice shall be deemed to be revoked and no Credit Event Determination Date shall have occurred, unless the Calculation Agent, acting in good faith and in a commercially reasonable manner, determines that such Credit Event occurred as a result of Local Market Variation being applicable, in which case the Credit Event Notice shall remain valid,

For the avoidance of doubt, such deemed revocation of the Credit Event Notice pursuant to paragraph (b) above shall not prevent the Calculation Agent from delivering a further Credit Event Notice subsequently, whether or not such Credit Event Notice relates to the same event or occurrence that was the subject of the DC No Credit Event Announcement.

A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is effective. A Credit Event Notice shall be subject to the requirements regarding notices set out in Credit Linked Condition 13 (*Calculation Agent Notices*).

**"Credit Event Resolution Request Date"**

means, with respect to a DC Credit Event Question, the date, as publicly announced by the DC Secretary, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which the DC Credit Event Question was effective and on which the relevant Credit Derivatives Determinations Committee was in possession of Publicly Available Information with respect to such DC Credit Event Question.

**"Credit Event Revocation Notice"**

means a notice from the Calculation Agent to the Issuer that the Calculation Agent has subsequently determined that a Credit Event that was the subject of an earlier Credit Event Notice did not constitute a Credit Event and no Credit Event



Determination Date has occurred, provided that such notice is given no later than:

- (a) if Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement, the Auction Final Price Determination Date; or
- (b) if Cash Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement or Credit Linked Condition 2(b)(x) applies, the date on which the Final Price is determined; or
- (c) if Physical Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement or Credit Linked Condition 2(b)(y) applies, the Delivery Date.

For the avoidance of doubt, the service of a Credit Event Revocation Notice shall not prevent the Calculation Agent from delivering a further Credit Event Notice subsequently.

**"Credit Linked Reference Price"**

means the percentage specified as such in the Applicable Pricing Supplement.

**"Currency Amount"**

means, with respect to (a) (i) a Deliverable Obligation specified in a Notice of Physical Settlement or (ii) a Valuation Obligation specified in a Notice of Valuation Settlement, in either case, that is denominated in a currency other than the Settlement Currency, an amount converted to the Settlement Currency using a conversion rate determined by reference to the Currency Rate and (b) (i) a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice or (ii) a Replacement Valuation Obligation specified in a Valuation Settlement Amendment Notice, an amount converted to the Settlement Currency (or, if applicable, back into the Settlement Currency) using a conversion rate determined by reference to the Currency Rate, if any, and each Revised Currency Rate used to convert each (i) Replaced Deliverable Obligation Outstanding Amount applicable specified in each Physical Settlement Amendment Notice or (ii) each Replaced Valuation Obligation Outstanding Amount, specified in each Valuation Settlement Amendment Notice, as applicable, with respect to that portion of the relevant Credit Linked Notes into the currency of denomination of the relevant Replacement Deliverable Obligation or the relevant Replacement Valuation Obligation, as applicable.

**"Currency Rate"**

means, with respect to (a) (i) a Deliverable Obligation specified in the Notice of Physical Settlement or any Physical Settlement Amendment Notice, or (ii) a Valuation Obligation specified in a Notice of Valuation Settlement or any

Valuation Settlement Amendment Notice, as applicable, the rate of conversion between the Settlement Currency and the currency in which the Outstanding Principal Balance or Due and Payable Amount of such Deliverable Obligation is denominated that is either (A) determined by reference to the Currency Rate Source as at the Next Currency Fixing Time or (B) if such rate is not available at such time, determined by the Calculation Agent and (b) a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice, the Revised Currency Rate.

**"Currency Rate Source"**

means:

- (a) where (A) Auction Settlement is expressed as the applicable Settlement Method and (B) Local Market Variation is specified as not applicable, in each case, as specified in the Applicable Pricing Supplement, the mid-point rate of conversion published by WM/Reuters at 4:00 p.m. (London time), or any successor rate source approved by the relevant Credit Derivatives Determinations Committee or, if no such successor rate source is approved by the Credit Derivatives Determinations Committee, any successor rate source selected by the Calculation Agent in a commercially reasonable manner in accordance with objective industry guidelines; or
- (b) if paragraph (a) above does not apply, the mid-point rate of conversion published by WM/Reuters at 11:00 a.m. (Johannesburg time) or any successor to the WM/Reuters service or any successor rate source selected by the Calculation Agent in a commercially reasonable manner in accordance with industry guidelines.

**"Cut-off Date"**

has the meaning given to that term in Credit Linked Condition 4 (*Physical Settlement*).

**"DC Announcement Coverage Cut-off Date"**

means, with respect to a DC Credit Event Announcement, the Auction Final Price Determination Date, the Auction Cancellation Date, or the date that is fourteen (14) calendar days following the No Auction Announcement Date, if any, as applicable.

**"DC Credit Event Announcement"**

means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Credit Event has occurred on or after the Trade Date or, if earlier and if specified as applicable in the Applicable Pricing Supplement, the Credit Event Backstop Date and on or prior to the Extension Date (the date such event occurred to be as determined by the Calculation Agent if not specified in the relevant DC Resolution), provided that if the Credit Event occurred after the Scheduled

	Maturity Date, the DC Credit Event Announcement must relate to the relevant Potential Failure to Pay, in the case of a Grace Period Extension Date, or the relevant Potential Repudiation/Moratorium, in the case of a Repudiation/Moratorium Evaluation Date.
<b>"DC Credit Event Meeting Announcement"</b>	means, with respect to the Reference Entity, a public announcement by the DC Secretary that a Credit Derivatives Determinations Committee will be convened to Resolve the matters described in a DC Credit Event Question.
<b>"DC Credit Event Question"</b>	means a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve whether an event that constitutes a Credit Event has occurred.
<b>"DC Credit Event Question Dismissal"</b>	means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in a DC Credit Event Question.
<b>"DC Determination Cut-off Date"</b>	has the meaning given to that term in Credit Linked Condition 8 ( <i>Credit Derivatives Determinations Committee Extension</i> ).
<b>"DC Determination Postponed Date"</b>	has the meaning given to that term in Credit Linked Condition 8 ( <i>Credit Derivatives Determinations Committee Extension</i> ).
<b>"DC No Credit Event Announcement"</b>	means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved that an event that is the subject of a DC Credit Event Question does not constitute a Credit Event.
<b>"DC Party"</b>	has the meaning given to that term in the DC Rules.
<b>"DC Resolution"</b>	has the meaning given to that term the DC Rules.
<b>"DC Rules"</b>	means the Credit Derivatives Determinations Committees Rules, as published by ISDA on its website at <a href="http://www.isda.org">www.isda.org</a> (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof.
<b>"DC Secretary"</b>	has the meaning given to that term in the DC Rules.
<b>"Default Requirement"</b>	means the amount specified as such in the Applicable Pricing Supplement or its equivalent in the relevant Obligation Currency or, if no such amount is specified in the Applicable Pricing Supplement, ZAR25,000,000, or its equivalent as calculated by the Calculation Agent in the relevant

Obligation Currency, in either case, as of the occurrence of the relevant Credit Event.

**"Deliver"**

means to deliver, novate, transfer (including, in the case of a Guarantee, transfer of the benefit of the Guarantee), assign or sell, as appropriate, in the manner customary for the settlement of the applicable Deliverable Obligations (which shall include executing all necessary documentation and taking any other necessary actions), in order to convey all right, title (or, with respect to Deliverable Obligations where only equitable title is customarily conveyed, all equitable title) and interest in the Entitlement to the relevant Designated Transferee free and clear of any and all liens, charges, claims or encumbrances (excluding any liens routinely imposed on all securities in a relevant clearance system, but including without limitation any counterclaim, defence (other than a counterclaim or defence based on the factors set out in (a) to (d) in the definition of "Credit Event" above) or right of set-off by or of the Reference Entity or any applicable Underlying Obligor) provided that (i) if all or a portion of the Entitlement consists of Direct Loan Participations, "Deliver" means to create (or procure the creation of) a participation in favour of the relevant Designated Transferee and (ii) if a Deliverable Obligation is a Guarantee, **"Deliver"** means to Deliver both the Underlying Obligation and the Guarantee, provided further that if the Guarantee has a Fixed Cap, "Deliver" means to Deliver the Underlying Obligation, the Guarantee and all claims to any amounts which are subject to such Fixed Cap. **"Delivery"** and **"Delivered"** will be construed accordingly. In the case of a Loan, Delivery shall be effected using documentation substantially in the form of the documentation customarily used in the relevant market for Delivery of such Loan at that time.

If Asset Package Delivery applies, and:

- (a) Physical Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement or Credit Linked Condition 2(b)(y) applies, (i) Delivery of a Prior Deliverable Obligation or a Package Observable Bond specified in the Notice of Physical Settlement or Physical Settlement Amendment Notice, as applicable, may be satisfied by Delivery of the related Asset Package, and such Asset Package shall be treated as having the same currency, Outstanding Principal Balance or Due and Payable Amount, as applicable, as the Prior Deliverable Obligation or Package Observable Bond to which it corresponds had immediately prior to the Asset Package Credit Event, (ii) the preceding paragraph above shall be deemed to apply to each Asset in the Asset Package provided that if any such

Asset is not a Bond, it shall be treated as if it were a Loan for these purposes, (iii) if the Asset Package is zero, the Outstanding Amount of the Prior Deliverable Obligation or Package Observable Bond shall be deemed to have been Delivered in full three (3) Business Days following the date on which the Issuer has notified the Noteholders in accordance with Credit Linked Condition 4 (*Physical Settlement*) of the detailed description of the Asset Package that it intends to Deliver, (iv) the Issuer may satisfy its obligation to make Delivery of the Prior Deliverable Obligation or Package Observable Bond in part by Delivery of each Asset in the Asset Package in the correct proportion and (v) if the relevant Asset is a Non-Transferable Instrument or Non-Financial Instrument, the Asset shall be deemed to be an amount of cash equal to the Asset Market Value and the term Asset Package shall be construed accordingly; or

- (b) Cash Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement or Credit Linked Condition 2(b)(x) applies, (i) the Calculation Agent may determine that the Asset Package shall be a Valuation Obligation for the purposes of determining the Final Price, and such Asset Package shall be treated as having the same currency, Outstanding Principal Balance or Due and Payable Amount, as applicable, as the Prior Deliverable Obligation or Package Observable Bond to which it corresponds had immediately prior to the Asset Package Credit Event, (ii) the preceding paragraph above shall be deemed to apply to each Asset in the Asset Package provided that if any such Asset is not a Bond, it shall be treated as if it were a Loan for these purposes, (iii) if the Asset Package is zero and the Calculation Agent has made the determination referred to in (i) above, the relevant Final Price (or portion thereof relating to the Asset Package) will be deemed to be zero.

**"Deliverable Obligation"**

means:

- (a) any obligation of the Reference Entity (either directly, or as provider of a Relevant Guarantee) determined pursuant to the method described in "(i) Method for Determining Deliverable Obligations" below;
- (b) the Reference Obligation;
- (c) solely in relation to a Restructuring Credit Event applicable to a Reference Entity which is a Sovereign, and unless Asset Package Delivery is

applicable, any Sovereign Restructured Deliverable Obligation;

- (d) if Asset Package Delivery is applicable, (i) if Financial Reference Entity Terms is specified as applicable in the Applicable Pricing Supplement, any Prior Deliverable Obligation, or (ii) if the Reference Entity is a Sovereign, any Package Observable Bond; and
- (e) any other Additional Deliverable Obligation of a Reference Entity specified as such in the Applicable Pricing Supplement,

in each case, (i) unless it is an Excluded Deliverable Obligation and (ii) provided that the obligation has an Outstanding Principal Balance or Due and Payable Amount that is greater than zero (determined for purposes of paragraph (d) above, immediately prior to the relevant Asset Package Credit Event).

- (i) *Method for Determining Deliverable Obligations.* For the purposes of this definition of "Deliverable Obligation", the term "Deliverable Obligation" may be defined as each obligation of the Reference Entity described by the Deliverable Obligation Category specified in the Applicable Pricing Supplement, and, subject to paragraph (ii) (*Interpretation of Provisions*) below, having each of, the Deliverable Obligation Characteristics, if any, specified in the Applicable Pricing Supplement, in each case, as of each such date the Calculation Agent determines relevant for purposes of the Hedging Arrangements, or if none at the relevant time, (x) the PSN Effective Date and the Delivery Date (unless otherwise specified) or (y) the VSN Effective Date and the Cash Settlement Date, as applicable. The following terms shall have the following meanings:

- (A) "**Deliverable Obligation Category**" means one of Payment, Borrowed Money, Reference Obligation Only, Bond, Loan, or Bond or Loan (each as defined in the definition of "Obligation" below, except that, for the purpose of determining Deliverable Obligation, the definition of "Reference Obligations Only" shall be amended to state that no Deliverable Obligation Characteristics shall be applicable to Reference Obligation Only), provided that if no Deliverable Obligation Category is specified in the Applicable Pricing Supplement, the Deliverable Obligation Category shall be the Deliverable

Obligation Category specified in respect of the applicable transaction type in the most recently published ISDA Credit Derivatives Physical Settlement Matrix, as determined by the Calculation Agent.

- (B) **"Deliverable Obligation Characteristics"** means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Domestic Issuance (each as defined in the definition of "Obligation" below), Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer, provided that if no Deliverable Obligation Characteristics are specified in the Applicable Pricing Supplement, the Deliverable Obligation Characteristics shall be the same as the Deliverable Obligation Characteristics specified in respect of the applicable transaction type in the most recently published ISDA Credit Derivatives Physical Settlement Matrix, as determined by the Calculation Agent;
- (a) **"Assignable Loan"** means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organisation) that are not then a lender or a member of the relevant lending syndicate, without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if the Reference Entity is guaranteeing such Loan) or any agent;
- (b) **"Consent Required Loan"** means a Loan that is capable of being assigned or novated with the consent of the Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if the Reference Entity is guaranteeing such loan) or any agent;

- (c) **"Direct Loan Participation"** means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of, a contractual right in favour of each Noteholder that provides each Noteholder with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between each Noteholder and either (A) the Issuer, (to the extent that the Issuer, is then a lender or a member of the relevant lending syndicate), or (B) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate);
- (d) **"Transferable"** means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction, provided that none of the following shall be considered contractual, statutory or regulatory restrictions:
- (i) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation);
  - (ii) restrictions on permitted investments such as statutory or regulatory investment restrictions on



insurance companies and pension funds; or

- (iii) restrictions in respect of blocked periods on or around payment dates or voting periods;
- (e) "**Maximum Maturity**" means an obligation that has a remaining maturity of not greater than the period specified in the Applicable Pricing Supplement (or if no such period is specified, thirty years);
- (f) "**Accelerated or Matured**" means an obligation under which the principal amount owed, whether by reason of maturity, acceleration, termination or otherwise, is due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws; and
- (g) "**Not Bearer**" means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via CSD, Euroclear, Clearstream International, any other internationally recognised clearing system, or (unless (A) Auction Settlement is the applicable Settlement Method and (B) Local Market Variation is specified as not applicable, in each case, in the Applicable Pricing Supplement), State.

(ii) *Interpretation of Provisions*

- (A) If either of the Obligation Characteristics "Listed" or "Not Domestic Issuance" is specified in the Applicable Pricing Supplement, the Applicable Pricing Supplement shall be construed as though the relevant Obligation Characteristic had been specified as an Obligation Characteristic only with respect to Bonds.

- (B) If (i) any of the Deliverable Obligation Characteristics "Listed", "Not Domestic Issuance" or "Not Bearer" is specified in the Applicable Pricing Supplement, the Applicable Pricing Supplement shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Bonds; (ii) the Deliverable Obligation Characteristic "Transferable" is specified in the Applicable Pricing Supplement, the Applicable Pricing Supplement shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Deliverable Obligations that are not Loans; or (iii) any of the Deliverable Obligation Characteristics "Assignable Loan", "Consent Required Loan" or "Direct Loan Participation" is specified in the Applicable Pricing Supplement, the Applicable Pricing Supplement shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Loans.
- (C) If more than one of "Assignable Loan", "Consent Required Loan" and "Direct Loan Participation" are specified as Deliverable Obligation Characteristics in the Applicable Pricing Supplement, the Deliverable Obligations may include any Loan that satisfies any one of such Deliverable Obligation Characteristics specified and need not satisfy all such Deliverable Obligation Characteristics.
- (D) If an Obligation or a Deliverable Obligation is a Relevant Guarantee, the following will apply:
- (a) for purposes of the application of the Obligation Category or the Deliverable Obligation Category, the Relevant Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation;
  - (b) for purposes of the application of the Obligation Characteristics or the

Deliverable Obligation Characteristics, both the Relevant Guarantee and the Underlying Obligation must satisfy on the relevant date or dates each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the Applicable Pricing Supplement from the following list: "Not Subordinated", "Specified Currency", "Not Sovereign Lender", "Not Domestic Currency" and "Not Domestic Law".

- (c) for purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date or dates each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the Applicable Pricing Supplement from the following list: "Listed", "Not Domestic Issuance", "Assignable Loan", "Consent Required Loan", "Direct Loan Participation", "Transferable", "Maximum Maturity", "Accelerated" or "Matured" and "Not Bearer"; and
- (d) for purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
- (e) for purposes of the application of the Deliverable Obligation Characteristic "Maximum Maturity", remaining maturity shall be determined on the basis of the terms of the Deliverable Obligation in effect at the time of making such determination and, in the case of a Deliverable Obligation that is due and payable, the remaining maturity shall be zero.

- (f) if "Financial Reference Entity Terms" and "Governmental Intervention" are specified as applicable in the Applicable Pricing Supplement, if an obligation would otherwise satisfy a particular Obligation Characteristic or Deliverable Obligation Characteristic, the existence of any terms in the relevant obligation in effect at the time of making the determination which permit the Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention, shall not cause such obligation to fail to satisfy such Obligation Characteristic or Deliverable Obligation Characteristic.
- (g) for purposes of determining the applicability of Deliverable Obligation Characteristics to a Prior Deliverable Obligation or a Package Observable Bond, any such determination shall be made by reference to the terms of the relevant obligation in effect immediately prior to the Asset Package Credit Event.
- (h) if "Subordinated European Insurance Terms" is specified as applicable in the Applicable Pricing Supplement, if an obligation would otherwise satisfy the "Maximum Maturity" Deliverable Obligation Characteristic, the existence of any Solvency Capital Provisions in such obligation shall not cause it to fail to satisfy such Deliverable Obligation Characteristic.

For the avoidance of doubt the provisions of this paragraph (ii) apply in respect of the definitions of Obligation and Deliverable Obligation as the context admits.

**"Deliverable Obligation Provisions"**

has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms.

<b>"Deliverable Obligation Terms"</b>	has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms.
<b>"Delivery Date"</b>	means, with respect to a Deliverable Obligation or an Asset Package, the date such Deliverable Obligation is Delivered (or deemed to be Delivered pursuant to the definition of "Deliver" above).
<b>"Delivery Expenses"</b>	has the meaning given to that term in Credit Linked Condition 4 ( <i>Physical Settlement</i> ).
<b>"Delivery Expenses Cut-off Date"</b>	has the meaning given to that term in Credit Linked Condition 4 ( <i>Physical Settlement</i> ).
<b>"Designated Transferee"</b>	means the person specified in a Credit Asset Transfer Notice, to whom Delivery of the Deliverable Obligations is to be made, which person may be the Noteholder or any other person.
<b>"Domestic Currency"</b>	means the currency specified as such in the Applicable Pricing Supplement and any successor currency thereto (or if no such currency is specified, the lawful currency and any successor currency of (a) the Reference Entity, if the Reference Entity is a Sovereign, or (b) the jurisdiction in which the Reference Entity is organised, if the Reference Entity is not a Sovereign. In no event shall Domestic Currency include any Standard Specified Currency.
<b>"Domestic Law"</b>	means each of the laws of (a) the Reference Entity, if such Reference Entity is a Sovereign, or (b) the jurisdiction in which the Reference Entity is organised, if such Reference Entity is not a Sovereign.
<b>"Downstream Affiliate"</b>	means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than 50 per cent. owned, directly or indirectly, by the Reference Entity. As used herein, " <b>Voting Shares</b> " means the shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

**"Due and Payable Amount"**

means the amount that is due and payable by the Reference Entity under the obligation whether by reason of maturity, acceleration, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts) less all or any portion of such amount which, pursuant to the terms of the obligation (a) is subject to any Prohibited Action, or (b) may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of (i) payment or (ii) a Permitted Contingency), in each case, determined in accordance with the terms of the obligation in effect on either (A) (i) the relevant PSN Effective Date (or if the terms of the obligation are amended after such date but on or prior to the Delivery Date, the Delivery Date), or (ii) the relevant VSN Effective Date (or if the terms of the obligation are amended after such date but on or prior to the first Valuation Date, the first Valuation Date), as applicable, or (B) the relevant Valuation Date, as applicable.

**"Eligible Information"**

means information which is publicly available, or which can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.

**"Eligible Transferee"**

means:

- (a) any:
  - (i) bank or other financial institution;
  - (ii) insurance or reinsurance company;
  - (iii) mutual fund, unit trust or similar collective investment vehicle (other than an entity described in paragraph (c) below); and
  - (iv) registered or licensed broker or dealer (other than a natural person or proprietorship),

provided, however, in each case that such entity has total assets of at least ZAR500,000,000;

- (b) an Affiliate of an entity specified in paragraph (a) above;
- (c) each of a corporation, partnership, proprietorship, organisation, trust or other entity:
  - (i) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligations, commercial paper conduit or other special purpose vehicle) that (A) has total assets of at least

ZAR250,000,000 or (B) is one of a group of investment vehicles under common control or management having, in aggregate, total assets of at least ZAR500,000,000; or

- (ii) that has total assets of at least ZAR500,000,000; or
- (iii) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keepwell, support, or other agreement by an entity described in subparagraphs (a), (b), (c)(i) or (d); or
- (d) any Sovereign; or
- (e) any entity or organization established by treaty or other arrangement between two or more Sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development.

All references in this definition to US\$ include equivalent amounts in other currencies in each case as determined by the Calculation Agent.

**"Entitlement"**

means, in respect of each nominal amount of Notes equal to the Nominal Amount, Deliverable Obligations, as selected by the Issuer, with:

- (a) in the case of Deliverable Obligations that are Borrowed Money, an Outstanding Principal Balance; or
- (b) in the case of Deliverable Obligations that are not Borrowed Money, a Due and Payable Amount,

(or, in the case of either (a) or (b), the equivalent Currency Amount of any such amount), in an aggregate amount as of the relevant Delivery Date equal to the Nominal Amount less, (i) if Unwind Costs are specified as applying in the Applicable Pricing Supplement and are positive, Deliverable Obligations with a market value determined by the Calculation Agent on the Business Day selected by the Calculation Agent falling during the period from and including the Credit Event Determination Date to and including the Delivery Date equal to a *pro rata* share of Unwind Costs and (ii) less, if the Noteholder has instructed that Delivery Expenses be deducted in the calculation of the Entitlement in the Credit Asset Transfer Notice or if the Noteholder has not paid the Delivery Expenses on or prior to

the Delivery Expenses Cut-off Date as provided in Credit Linked Condition 4 (*Physical Settlement*) above, Deliverable Obligations with a market value determined by the Calculation Agent on the Business Day selected by the Calculation Agent falling during the period from and including the Credit Event Determination Date to and including the Delivery Date equal to Delivery Expenses

**"Euroclear"**

means Euroclear S.A./N.V., as operator of the Euroclear System.

**"Excluded Deliverable Obligation"**

means:

- (a) any obligation of a Reference Entity specified as such or of a type described in the Applicable Pricing Supplement;
- (b) any principal only component of a Bond from which some or all of the interest components have been stripped; and
- (c) if Asset Package Delivery is applicable, any obligation issued or incurred on or after the date of the relevant Asset Package Credit Event.

**"Excluded Obligation"**

means:

- (a) any obligation of a Reference Entity specified as such or of a type described in the Applicable Pricing Supplement;
- (b) if "Financial Reference Entity Terms" is specified as applicable in the Applicable Pricing Supplement and (i) the relevant Reference Obligation or Prior Reference Obligation, as applicable, is a Senior Obligation, or (ii) there is no Reference Obligation or Prior Reference Obligation, then for purposes of determining whether a Governmental Intervention or Restructuring has occurred, any Subordinated Obligation; and
- (c) if "Financial Reference Entity Terms" is specified as applicable in the Applicable Pricing Supplement and the relevant Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation, then for purposes of determining whether a Governmental Intervention or Restructuring has occurred, any Further Subordinated Obligation.

**"Exercise Cut-off Date"**

means either:



- (a) with respect to an M(M)R Restructuring and any Note to which paragraph (a) of the definition of "Credit Event Determination Date" above applies:
  - (i) if the DC Secretary publishes a Final List applicable to the Transaction Auction Settlement Terms and/or Parallel Auction Settlement Terms, the date that is five Relevant City Business Days following the date on which such Final List is published; or
  - (ii) otherwise, the date that is fourteen (14) calendar days following the relevant No Auction Announcement Date; or
- (b) with respect to a Credit Event where paragraph (a) of the definition of "Credit Event Determination Date" does not apply, the relevant Non-Standard Exercise Cut-off Date,

or, in each case, such other date as the relevant Credit Derivatives Determinations Committee Resolves.

**"Extension Date"**

means the latest of:

- (a) the Scheduled Maturity Date (for the purposes of this definition of "Extension Date", the "**Scheduled Termination Date**");
- (b) the Grace Period Extension Date if (i) "Failure to Pay" and "Grace Period Extension" are specified as applying in the Applicable Pricing Supplement, and (ii) the Potential Failure to Pay with respect to the relevant Failure to Pay occurs on or prior to the Scheduled Termination Date; and
- (c) the Repudiation/Moratorium Evaluation Date (if any) if "Repudiation/Moratorium" is specified as applicable in the Applicable Pricing Supplement, as applicable.

**"Failure to Pay"**

means after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by the Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations in accordance with the terms of such Obligations at the time of such failure provided that, if an occurrence that would constitute a Failure to Pay (a) is a result of a redenomination that occurs as a result of action taken by a Governmental Authority which is of general application in the jurisdiction

of such Governmental Authority and (b) a freely available market rate of conversion existed at the time of the redenomination, then such occurrence will be deemed not to constitute a Failure to Pay unless the redenomination itself constituted a reduction in the rate or amount of interest, principal or premium payable (as determined by reference to such freely available market rate of conversion) at the time of such redenomination.

**"Fallback Settlement Method"**

means, with respect to any Credit Linked Notes for which Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement, the fallback settlement method specified in the Applicable Pricing Supplement.

**"Final List"**

has the meaning given in the DC Rules.

**"Final Price"**

means the price of:

- (a) the relevant Valuation Obligation, or, if there is more than one Valuation Obligation, the weighted average price of the Valuation Obligation(s); or
- (b) if Credit Linked Condition 10 (*Partial Cash Settlement*) applies, the relevant Reference Obligation,

in each case, expressed as a percentage of its Outstanding Principal Balance or Due and Payable Amount, as applicable, determined in accordance with the Valuation Method specified in the Applicable Pricing Supplement or, where applicable, Credit Linked Condition 10 (*Partial Cash Settlement*) and in the case of paragraph (a) above on the basis that (x) any weighted average price is determined by reference to the Outstanding Principal Balance(s) or Due and Payable Amount(s) of each Valuation Obligation in the Valuation Reference Holding and (y) the Calculation Agent will seek to obtain quotations for each such Valuation Obligation.

The Calculation Agent shall as soon as practicable after obtaining all Quotations for a Valuation Date, make available for inspection by Noteholders at the specified office of the Paying Agent (i) each such Quotation that it receives in connection with the calculation of the Final Price and (ii) a written computation showing its calculation of the Final Price.

**"Fixed Cap"**

means, with respect to a Guarantee, a specified numerical limit or cap on the liability of the Reference Entity in respect of some or all payments due under the Underlying Obligation, provided that a Fixed Cap shall exclude a limit or cap determined by reference to a formula with one or more variable inputs (and for these purposes, the outstanding

principal or other amounts payable pursuant to the Underlying Obligation shall not be considered to be variable inputs).

**"Fractional Entitlement"**

has the meaning given to that term in Credit Linked Condition 4 (*Physical Settlement*).

**"Full Quotation"**

means, in accordance with the Quotation Method each firm quotation obtained from a Quotation Dealer at the Valuation Time, to the extent reasonably practicable, for an amount of the Reference Obligation or Valuation Obligation, as applicable, with an Outstanding Principal Balance or Due and Payable Amount equal to the Quotation Amount.

**"Fully Transferable Obligation"**

means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required in the case of any Deliverable Obligation other than Bonds, in each case, as of each such date as the Calculation Agent determines relevant for purposes of the Hedging Arrangements, or if none at the relevant time, both the PSN Effective Date and the Delivery Date. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered as a requirement for consent for purposes of this definition of "Fully Transferable Obligation".

**"Further Subordinated Obligation"**

means, in respect of a Reference Entity, if the relevant Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation, any obligation which is Subordinated thereto.

**"Governmental Authority"**

means:

- (a) any *de facto* or *de jure* government (or any agency, instrumentality, ministry or department thereof);
- (b) any court, tribunal, administrative or other governmental, inter-governmental or supranational body;
- (c) any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) of the Reference Entity or some or all of its obligations; or
- (d) any other authority which is analogous to any of the entities specified in paragraphs (a) to (c) above.

**"Governmental Intervention"**

means that, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default

Requirement, any one or more of the following events occurs as a result of action taken or an announcement made by a Governmental Authority pursuant to, or by means of, a restructuring and resolution law or regulation (or any other similar law or regulation), in each case, applicable to the Reference Entity in a form which is binding, irrespective of whether such event is expressly provided for under the terms of such Obligation:

- (a) any event which would affect creditors' rights so as to cause:
  - (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
  - (ii) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
  - (iii) a postponement or other deferral of a date or dates for either (I) the payment or accrual of interest, or (II) the payment of principal or premium; or
  - (iv) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation;
- (b) an expropriation, transfer or other event which mandatorily changes the beneficial holder of the Obligation;
- (c) a mandatory cancellation, conversion or exchange; or
- (d) any event which has an analogous effect to any of the events specified in paragraphs (a) to (c) above.

For purposes of this definition of "Governmental Intervention", the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Guarantee.

**"Grace Period"**

means:

- (a) subject to paragraphs (b) and (c) below, the applicable grace period with respect to payments under and in accordance with the terms of the relevant Obligation in effect as of the date as of which such Obligation is issued or incurred;

- (b) if "Grace Period Extension" is specified as applying in the Applicable Pricing Supplement, a Potential Failure to Pay has occurred on or prior to the Scheduled Maturity Date or relevant Interest Payment Date and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Maturity Date, the Grace Period will be deemed to be the lesser of such grace period and the period specified as such in the Applicable Pricing Supplement or, if no period is specified in the Applicable Pricing Supplement, thirty (30) calendar days; and
- (c) if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; provided that, unless Grace Period Extension is specified as applying in the Applicable Pricing Supplement, such deemed Grace Period shall expire no later than the Scheduled Maturity Date.

**"Grace Period Business Day"**

means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation and if a place or places are not so specified (a) if the Obligation Currency is the euro, a day on which the TARGET2 System is open, or (b) otherwise, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the principal financial city in the jurisdiction of the Obligation Currency.

**"Grace Period Extension Date"**

means, if:

- (a) "Grace Period Extension" is specified as applying in the Applicable Pricing Supplement; and
- (b) a Potential Failure to Pay occurs on or prior to the Scheduled Maturity Date,

the date that is 5 (five) Business Days following the date falling the number of days in the Grace Period after the date of such Potential Failure to Pay. If "Grace Period Extension" is not specified as applicable in the Applicable Pricing Supplement, Grace Period Extension shall not apply.

**"Guarantee"**

means a Relevant Guarantee or a guarantee which is the Reference Obligation.

<b>"Hedging Arrangements"</b>	means any transaction(s), asset(s) or trading position(s) the Issuer and/or any of its Affiliates or agents may enter into or hold from time to time (including, if applicable, on a portfolio basis) to hedge directly or indirectly and whether in whole or in part the credit or other price risk of the Issuer issuing and performing its obligations with respect to the Credit Linked Notes.
<b>"Hedge Disruption Event"</b>	means in the opinion of the Calculation Agent any event as a result of which the Issuer and/or any of its Affiliates either (i) has not received the relevant Deliverable Obligations or (ii) cannot obtain the relevant Valuation Obligations, as applicable, under the terms of the Hedging Arrangements (if any).
<b>"Hedge Disruption Obligation"</b>	means either: <ul style="list-style-type: none"> <li>(a) a Deliverable Obligation included in the Entitlement which, on the Physical Settlement Date for such Deliverable Obligation, the Calculation Agent determines cannot be Delivered as a result of a Hedge Disruption Event; or</li> <li>(b) a Valuation Obligation included in the Valuation Reference Holding which, on the Valuation Obligation Observation Date for such Valuation Obligation, the Calculation Agent determines cannot be valued as a result of a Hedge Disruption Event</li> </ul>
<b>"Intervening Period"</b>	means such period of time as any person other than the relevant Designated Transferee shall continue to be registered as the legal owner of any securities or other obligations comprising the Entitlement.
<b>"ISDA"</b>	means the International Swaps and Derivatives Association, Inc.
<b>"Largest Asset Package"</b>	means, in respect of a Prior Deliverable Obligation or a Package Observable Bond, as the case may be, the package of Assets for which the greatest amount of principal has been or will be exchanged or converted (including by way of amendment), as determined by the Calculation Agent by reference to Eligible Information. If this cannot be determined, the Largest Asset Package will be the package of Assets with the highest immediately realizable value, determined by the Calculation Agent in accordance with the methodology, if any, determined by the relevant Credit Derivatives Determinations Committee or, if none, as determined by the Calculation Agent in its sole and absolute discretion by reference to such source(s) as it determines appropriate.

<b>"Latest Maturity Restructured Bond or Loan"</b>	has the meaning given to that term in the definition of "Restructuring Maturity Limitation Date".
<b>"Latest Permissible Physical Settlement Date"</b>	means the thirtieth (30th) Business Day following the Physical Settlement Date.
<b>"Limitation Date"</b>	means the first of 20 March, 20 June, 20 September or 20 December in any year to occur on or immediately following the date that is one of the following numbers of years after the Restructuring Date: 2.5 years (the " <b>2.5-year Limitation Date</b> "), 5 years, 7.5 years, 10 years (the " <b>10-year Limitation Date</b> "), 12.5 years, 15 years, or 20 years, as applicable. Limitation Dates shall not be subject to adjustment in accordance with any Business Day Convention.
<b>"M(M)R Restructuring"</b>	means a Restructuring Credit Event in respect of which either Mod R or Mod Mod R is specified as applicable in the Applicable Pricing Supplement.
<b>"Market Value"</b>	means, with respect to a Valuation Obligation on a Valuation Date: <ul style="list-style-type: none"> <li>(a) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded);</li> <li>(b) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded and paragraph (c) below shall apply as if exactly two Full Quotations were obtained);</li> <li>(c) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations;</li> <li>(d) if fewer than two Full Quotations and a Weighted Average Quotation is obtained, such Weighted Average Quotation;</li> <li>(e) if fewer than two Full Quotations are obtained, and no Weighted Average Quotation is obtained, subject as provided in the definition of "Quotation", an amount the Calculation Agent shall determine on the next Business Day on which two or more Full Quotations or a Weighted Average Quotation is obtained; and</li> </ul>

- (f) if two or more Full Quotations or a Weighted Average Quotation are not obtained on or prior to the tenth Business Day following the applicable Valuation Date the Market Value shall be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations for a Valuation Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.

**"Minimum Quotation Amount"**

means the amount specified as such in the Applicable Pricing Supplement (or its equivalent in the relevant Obligation Currency) or, if no amount is so specified, the lower of (a) USD1,000,000 (or its equivalent in the relevant Obligation Currency) and (b) the Quotation Amount.

**"Modified Eligible Transferee"**

means any bank, financial institution or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities and other financial assets.

**"Modified Restructuring Maturity Limitation Date"**

means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Maturity Date.

Subject to the foregoing, if the Scheduled Maturity Date is later than the 10 year Limitation Date, the Modified Restructuring Maturity Limitation Date will be the Scheduled Maturity Date.

**"Movement Option"**

means, with respect to an M(M)R Restructuring for which a No Auction Announcement Date has occurred pursuant to paragraph (b) or (c)(ii) of the definition of "No Auction Announcement Date", the option of the Issuer to apply to the Credit Linked Notes, for purposes of settlement, the Parallel Auction Settlement Terms, if any, for purposes of which the Permissible Deliverable Obligations are more limited than the Deliverable Obligations that could apply in respect of the Reference Transaction (provided that if more than one such set of Parallel Auction Settlement Terms are published, the Parallel Auction Settlement Terms specifying the greatest number of such Permissible Deliverable Obligations shall apply). If no Notice to Exercise Movement Option is delivered by the Issuer on or prior to the Movement Option Cut-off Date, the Credit Linked Notes will be settled in accordance with the Fallback Settlement Method. If a Notice to Exercise Movement Option is delivered by the Issuer on



or prior to the Movement Option Cut-off Date, such event will be notified to Noteholders in accordance with General Condition 13 (*Notices*).

**"Movement Option Cut-off Date"**

means the date that is one Relevant City Business Day following the Exercise Cut-off Date, or, where Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement, such other date as the relevant Credit Derivatives Determinations Committee has Resolved.

**"Multiple Holder Obligation"**

shall have the meaning given to such term in Credit Linked Condition 14 (*Provisions Relating to Multiple Holder Obligation*).

**"Next Currency Fixing Time"**

means:

- (a) where (A) Auction Settlement is specified as the applicable Settlement Method and (B) Local Market Variation is specified as not applicable, in each case, in the Applicable Pricing Supplement, and Physical Settlement applies by virtue of Credit Linked Condition 2(b)(y), 4:00 p.m. (London time) on such London Business Day as the Calculation Agent shall select falling no more than five (5) Business Days immediately preceding the date on which the Notice of Physical Settlement, relevant Physical Settlement Amendment Notice, relevant Partial Cash Settlement Notice, Notice of Valuation Settlement or relevant Valuation Settlement Amendment Notice, as applicable, is effective. For the purposes of determining the Next Currency Fixing Time, "**London Business Day**" means a day on which banks and foreign exchange markets are generally open to settle payments in London.
- (b) if paragraph (a) above does not apply, 11:00 a.m. (Johannesburg time) on such Johannesburg Business Day as the Calculation Agent shall select falling no more than 5 (five) Johannesburg Business Days immediately preceding the date on which the Notice of Physical Settlement, relevant Physical Settlement Amendment Notice, relevant Partial Cash Settlement Notice, the Notice of Valuation Settlement, relevant Valuation Settlement Amendment Notice, as applicable, is effective. For the purposes of determining the Next Currency Fixing Time, "**Johannesburg Business Day**" means a day on which banks and foreign exchange markets are generally open to settle payments in Johannesburg.

**"No Auction Announcement Date"**

means, with respect to a Credit Event, and only where Auction Settlement is specified as the applicable Settlement

Method in the Applicable Pricing Supplement, the date on which the DC Secretary first publicly announces that:

- (a) no Transaction Auction Settlement Terms and, if applicable, no Parallel Auction Settlement Terms will be published;
- (b) following the occurrence of an M(M)R Restructuring no Transaction Auction Settlement Terms will be published, but Parallel Auction Settlement Terms will be published; or
- (c) the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held following a prior public announcement by the DC Secretary to the contrary, in circumstances where either:
  - (i) no Parallel Auction will be held; or
  - (ii) one or more Parallel Auctions will be held.

**"Non-Conforming Reference Obligation"**

means a Reference Obligation which is not a Conforming Reference Obligation.

**"Non-Conforming Substitute Reference Obligation"**

means an obligation which would be a Deliverable Obligation determined in accordance with paragraph (a) of the definition of "Deliverable Obligation" above on the Substitution Date but for one or more of the same reasons which resulted in the Reference Obligation constituting a Non-Conforming Reference Obligation on the date it was issued or incurred and/or immediately prior to the Substitution Event Date (as applicable).

**"Non-Financial Instrument"**

means any Asset which is not of the type typically traded in, or suitable for being traded in, financial markets.

**"Non-Standard Credit Event Determination Date"**

means with respect to a Credit Event:

- (a) if Cash Settlement or Physical Settlement are specified as the applicable Settlement Method, the Notice Delivery Date, if the Notice Delivery Date occurs during the Notice Delivery Period; or
- (b) if Auction Settlement is specified as the applicable Settlement Method, the Notice Delivery Date, if the Notice Delivery Date occurs during either the Notice Delivery Period or the Post Dismissal Additional Period, provided that neither (i) a DC Credit Event Announcement has occurred nor (ii) a DC No Credit Event Announcement has occurred, in each case, with respect to the Credit Event specified in the Credit Event Notice.

**"Non-Standard Exercise Cut-off Date"**

means, with respect to a Credit Event to which paragraph (a) of the definition of "Credit Event Determination Date" does not apply:

- (a) subject to paragraph (a) below, the Notice Delivery Date, if the Notice Delivery Date occurs during the Notice Delivery Period; or
- (b) if Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement,
  - (i) if such Credit Event is not an M(M)R Restructuring, either:
    - (A) the Relevant City Business Day prior to the Auction Final Price Determination Date, if any;
    - (B) the Relevant City Business Day prior to the Auction Cancellation Date, if any; or
    - (C) the date that is fourteen (14) calendar days following the No Auction Announcement Date, if any, as applicable; or
  - (ii) if such Credit Event is an M(M)R Restructuring and:
    - (A) the DC Secretary publishes a Final List applicable to the Transaction Auction Settlement Terms and/or Parallel Auction Settlement Terms, the date that is five Relevant City Business Days following the date on which such Final List is published; or
    - (B) otherwise, the date that is fourteen (14) calendar days following the relevant No Auction Announcement Date.

**"Non-Standard Reference Obligation"**

means, in respect of the Reference Entity, the Original Non-Standard Reference Obligation or if a Substitute Reference Obligation has been determined, the Substitute Reference Obligation.

**"Non-Transferable Instrument"**

means any Asset which is not capable of being transferred to institutional investors, excluding due to market conditions.

<b>"Notice Delivery Date"</b>	means the first date on which both an effective Credit Event Notice and, unless "Notice of Publicly Available Information" is specified as not applicable in the Applicable Pricing Supplement, an effective Notice of Publicly Available Information, have been delivered by the Calculation Agent.
<b>"Notice Delivery Period"</b>	means the period from and including the Trade Date to and including the date that is fourteen (14) calendar days after the Extension Date.
<b>"Notice of Physical Settlement"</b>	has the meaning given to that term in Credit Linked Condition 4 ( <i>Physical Settlement</i> ).
<b>"Notice of Valuation Settlement"</b>	has the meaning given to that term in Credit Linked Condition 3 ( <i>Cash Settlement</i> ).
<b>"Notice of Publicly Available Information"</b>	means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that cites Publicly Available Information confirming the occurrence of the Credit Event or Potential Repudiation/Moratorium, as applicable, described in the Credit Event Notice or Repudiation/Moratorium Extension Notice. The notice given must contain a copy or description in reasonable detail, of the relevant Publicly Available Information. If "Notice of Publicly Available Information" is specified as applicable in the Applicable Pricing Supplement and a Credit Event Notice or Repudiation/Moratorium Extension Notice, as applicable, contains Publicly Available Information, such Credit Event Notice or Repudiation/Moratorium Extension Notice will also be deemed to be a Notice of Publicly Available Information. A Notice of Publicly Available Information shall be subject to the requirements regarding notices in Credit Linked Condition 13 ( <i>Calculation Agent Notices</i> ).
<b>"Notice to Exercise Movement Option"</b>	means, with respect to Notes for which (a) M(M)R Restructuring is applicable and (b) the Fallback Settlement Method would otherwise be applicable pursuant to the Auction Settlement provisions, a notice from the Issuer to the Calculation Agent that (i) specifies the Parallel Auction Settlement Terms applicable in accordance with the definition of "Movement Option" and (ii) is effective on or prior to the Movement Option Cut-off Date.
<b>"Obligation"</b>	means: <ul style="list-style-type: none"> <li>(a) any obligation of the Reference Entity (either directly or as a provider of a Relevant Guarantee) determined pursuant to the method described in "Method for Determining Obligations" below;</li> <li>(b) the Reference Obligation; and</li> </ul>

- (c) any Additional Obligation of a Reference Entity specified as such in the Applicable Pricing Supplement,

in each case unless it is an Excluded Obligation.

*"Method for Determining Obligations"*. For the purposes of paragraph (a) of this definition of "Obligation", the term "Obligation" may be defined as the obligation of each Reference Entity described by the Obligation Category specified in the Applicable Pricing Supplement, and having each of the Obligation Characteristics (if any) specified in the Applicable Pricing Supplement, in each case, immediately prior to the Credit Event which is the subject of either the Credit Event Notice or, where Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement, the DC Credit Event Question resulting in the occurrence of the Credit Event Resolution Request Date, as applicable. The following terms shall have the following meanings:

- (i) **"Obligation Category"** means Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan, only one of which shall be specified in the Applicable Pricing Supplement, where:
  - (a) **"Payment"** means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;
  - (b) **"Borrowed Money"** means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit);
  - (c) **"Reference Obligations Only"** means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only;
  - (d) **"Bond"** means any obligation of a type included in the "Borrowed Money" Obligation Category that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt security or other debt

security and shall not include any other type of Borrowed Money;

- (e) "**Loan**" means any obligation of a type included in the "Borrowed Money" Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money; and
  - (f) "**Bond or Loan**" means any obligation that is either a Bond or a Loan.
- (ii) "**Obligation Characteristics**" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance specified in the Applicable Pricing Supplement, where:
- (a) "**Not Subordinated**" means an obligation that is not Subordinated to (1) the Reference Obligation or, (2) the Prior Reference Obligation, if applicable;
  - (b) "**Subordination**" means, with respect to an obligation (the "**Second Obligation**") and another obligation of the Reference Entity to which such obligation is being compared (the "**First Obligation**"), a contractual, trust or other similar arrangement providing that (I) upon the liquidation, dissolution, reorganisation or winding-up of the Reference Entity, claims of the holders of the First Obligation are required to be satisfied prior to the claims of the holders of the Second Obligation or (II) the holders of the Second Obligation will not be entitled to receive or retain principal payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the First Obligation. "**Subordinated**" will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, (x) the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement or security arrangements shall not be taken into account, except that,

notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign and (y) in the case of the Reference Obligation or the Prior Reference Obligation, as applicable, the ranking in priority of payment shall be determined as of the date as of which it was issued or incurred (or in circumstances where the Reference Obligation or a Prior Reference Obligation is the Standard Reference Obligation and "Standard Reference Obligation" is applicable, then the priority of payment of the Reference Obligation or the Prior Reference Obligation, as applicable, shall be determined as of the date of selection) and, in each case, shall not reflect any change to such ranking in priority of payment after such date;

- (c) **"Prior Reference Obligation"** means, in circumstances where there is no Reference Obligation applicable to the relevant Notes, (I) the Reference Obligation most recently applicable thereto, if any, and otherwise, (II) the obligation specified in the Applicable Pricing Supplement as the Reference Obligation, if any, if such Reference Obligation was redeemed on or prior to the Trade Date and otherwise, (III) any unsubordinated Borrowed Money obligation of the Reference Entity;
- (d) **"Specified Currency"** means an obligation that is payable in the currency or currencies specified as such in the Applicable Pricing Supplement (or, if Specified Currency is specified in the Applicable Pricing Supplement and no currency is so specified, any Standard Specified Currency) provided that if the euro is a Specified Currency, "Specified Currency" shall also include an obligation that was previously payable in the euro, regardless of any redenomination thereafter if such redenomination occurred as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority;
- (e) **"Not Sovereign Lender"** means any obligation that is not primarily owed to (A)

a Sovereign or (B) any entity or organization established by treaty or other arrangement between two or more Sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development, which shall include, without limitation, obligations generally referred to as "Paris Club debt";

- (f) **"Not Domestic Currency"** means any obligation that is payable in any currency other than applicable Domestic Currency provided that a Standard Specified Currency shall not constitute the Domestic Currency;
- (g) **"Not Domestic Law"** means any obligation that is not governed by applicable Domestic Law, provided that the laws of England, the laws of the State of New York, and (except where Auction Settlement is specified as the applicable Settlement Method and Local Market Variation is specified as not applicable, in each case as specified in the Applicable Pricing Supplement), the laws of South Africa shall not constitute a Domestic Law;
- (h) **"Listed"** means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange;
- (i) **"Not Domestic Issuance"** means any obligation other than an obligation that was issued (or reissued, as the case may be) or intended to be offered for sale primarily in the domestic market of the Reference Entity. Any obligation that is registered or, as a result of some other action having been taken for such purpose, is qualified for sale outside the domestic market of the Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be issued (or reissued, as the case may be), or intended to be offered for sale primarily in the domestic market of the Reference Entity.

**"Obligation Acceleration"**

means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and



payable as a result of, or on the basis of, the occurrence of a default, event or default or other similar condition or event (however described), other than a failure to make any required payment, in respect of the Reference Entity under one or more Obligations.

**"Obligation Currency"**

means the currency or currencies in which the Obligation is denominated.

**"Obligation Default"**

means one or more Obligations in an aggregate amount of not less than the Default Requirement have become capable of being declared due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default, or other similar condition or event (however described), other than a failure to make any required payment, in respect of the Reference Entity under one or more Obligations.

**"Original Non-Standard Reference Obligation"**

means the obligation of the Reference Entity (either directly or as provider of a guarantee) which is specified as the Reference Obligation in respect of such Reference Entity in the Applicable Pricing Supplement (if any is so specified) provided that if an obligation is not an obligation of the Reference Entity, such obligation will not constitute a valid Original Non-Standard Reference Obligation for purposes of the relevant Notes (other than for the purposes of determining the Seniority Level and for the "Not Subordinated" Obligation Characteristic or "Not Subordinated" Deliverable Obligation Characteristic) unless the relevant Notes are Reference Obligation Only Notes.

**"Outstanding Amount"**

means, in respect of a Prior Deliverable Obligation or Package Observable Bond, the Outstanding Principal Balance or Due and Payable Amount, as applicable, or the equivalent amount in the Settlement Currency as specified in the relevant Notice of Physical Settlement or Notice of Valuation Settlement, as applicable.

**"Outstanding Principal Balance"**

means the outstanding principal balance of an obligation which will be calculated as follows:

- (a) first, by determining, in respect of the obligation, the amount of the Reference Entity's principal payment obligations and, where applicable in accordance with the definition of "Accrued Interest" above, the Reference Entity's accrued but unpaid interest payment obligations (which, in the case of a Guarantee will be the lower of (i) the Outstanding Principal Balance (including accrued but unpaid interest, where applicable) of the Underlying Obligation (determined as if references to the Reference Entity were references to the Underlying Obligor) and (ii) the amount of the Fixed Cap, if any);

- (b) second, by subtracting all or any portion of such amount which, pursuant to the terms of the obligation, (i) is subject to any Prohibited Action, or (ii) may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of (A) payment or (B) a Permitted Contingency) (the amount determined in accordance with paragraph (a) above less any amounts subtracted in accordance with this paragraph (b), the "**Non-Contingent Amount**"); and
- (c) third, by determining the Quantum of the Claim, which shall then constitute the Outstanding Principal Balance,

in each case, determined:

- (i) unless otherwise specified, in accordance with the terms of the obligation in effect on either (A) (1) the relevant PSN Effective Date (or if the terms of the obligation are amended after such date but on or prior to the Delivery Date, the Delivery Date) or (2) the relevant VSN Effective Date (or if the terms of the obligation after such date but on or prior to the first Valuation Date, the first Valuation Date), as applicable, or (B) the relevant Valuation Date; and
- (ii) with respect to the Quantum of the Claim only, in accordance with any applicable laws (insofar as such laws reduce or discount the size of the claim to reflect the original issue price or accrued value of the obligation).

**"Package Observable Bond"**

means, in respect of a Reference Entity which is a Sovereign, any obligation (a) which is identified as such and published by ISDA on its website at [www.isda.org](http://www.isda.org) from time to time (or any successor website thereto) or by a third party designated by ISDA on its website from time to time and (b) which fell within paragraphs (a) or (b) of the definition of "Deliverable Obligation" above, in each case, immediately preceding the date on which the relevant Asset Package Credit Event was legally effective.

**"Parallel Auction"**

means "Auction" as such term shall be defined in the relevant Parallel Auction Settlement Terms.

**"Parallel Auction Cancellation Date"**

means "Auction Cancellation Date" as such term shall be defined in the relevant Parallel Auction Settlement Terms.

**"Parallel Auction Settlement Terms"**

means, following the occurrence of an M(M)R Restructuring, any Credit Derivatives Auction Settlement Terms published by ISDA with respect to such M(M)R Restructuring, and for

which (i) the Deliverable Obligation Terms are the same as the Reference Transaction and (ii) the Reference Transaction would not be an Auction Covered Transaction provided that if no such Credit Derivatives Auction Settlement Terms are published, the Calculation Agent may select in its sole discretion the applicable Credit Derivatives Auction Settlement Terms.

**"Parallel Notice of Physical Settlement Date"**

means "Notice of Physical Settlement Date" as defined in the relevant Parallel Auction Settlement Terms.

**"Partial Cash Settlement Date"**

shall have the meaning given to that term in Credit Linked Condition 10 (*Partial Cash Settlement*).

**"Partial Cash Settlement Notice"**

shall have the meaning given to that term in Credit Linked Condition 10 (*Partial Cash Settlement*).

**"Payment Requirement"**

means the amount specified as such in the Applicable Pricing Supplement or its equivalent in the relevant Obligation Currency or, if no such amount is specified in the Applicable Pricing Supplement, ZAR10,000,000, or its equivalent as calculated by the Calculation Agent in the relevant Obligation Currency, in either case, as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.

**"Permissible Deliverable Obligations"**

has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms, being either all or the portion of the Deliverable Obligations included in the Final List pursuant to the Deliverable Obligation Terms applicable to the relevant Auction.

**"Permitted Contingency"**

means, with respect to an obligation, any reduction to the Reference Entity's payment obligations:

- (a) as a result of the application of:
  - (i) any provisions allowing a transfer, pursuant to which another party may assume all of the payment obligations of the Reference Entity;
  - (ii) provisions implementing the Subordination of the obligation;
  - (iii) provisions allowing for a Permitted Transfer in the case of a Qualifying Guarantee (or provisions allowing for the release of the Reference Entity from its payment obligations in the case of any other Guarantee);
  - (iv) if "Subordinated European Insurance Terms" are specified as applicable in the

Applicable Pricing Supplement, any Solvency Capital Provisions; or

(v) if "Financial Reference Entity Terms" are specified as applicable in the Applicable Pricing Supplement, provisions which permit the Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention; or

(b) which is within the control of the holders of the obligation or a third party acting on their behalf (such as an agent or trustee) in exercising their rights under or in respect of such obligation.

**"Permitted Transfer"**

means, with respect to a Qualifying Guarantee, a transfer to and the assumption by any single transferee of such Qualifying Guarantee (including by way of cancellation and execution of a new guarantee) on the same or substantially the same terms, in circumstances where there is also a transfer of all (or substantially all) of the assets of the Reference Entity to the same single transferee.

**"Physical Settlement Amendment Notice"**

has the meaning given to that term in Credit Linked Condition 4 (*Physical Settlement*).

**"Physical Settlement Date"**

means the last day of the longest Physical Settlement Period following the PSN Cut-off Date (the "**Scheduled Physical Settlement Date**") provided that if a Hedge Disruption Event has occurred and is continuing on the second Business Day immediately preceding the Scheduled Physical Settlement Date, the Physical Settlement Date shall be the earlier of (i) the second Business Day following the date on which no Hedge Disruption Event subsists and (ii) the day falling sixty (60) Business Days following the Scheduled Physical Settlement Date.

**"Physical Settlement Period"**

means, subject to Credit Linked Condition 4 (*Physical Settlement*), the number of Business Days specified as such in the Applicable Pricing Supplement or, if a number of Business Days is not so specified, then, with respect to a Deliverable Obligation comprising the Entitlement, the longest number of Business Days for settlement in accordance with then current market practice of such Deliverable Obligation, as determined by the Calculation Agent provided that if the Issuer has notified the Noteholders in accordance with Credit Linked Condition 4 (*Physical Settlement*) that it will Deliver an Asset Package in lieu of a Prior Deliverable Obligation or a Package Observable Bond, the Physical Settlement Period shall be 35 (thirty five) Business Days.

<b>"Post Dismissal Additional Period"</b>	means the period from and including the date of the DC Credit Event Question Dismissal to and including the date that is fourteen (14) calendar days thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)).
<b>"Postponed Cut-off Date"</b>	shall have the meaning given to that term in Credit Linked Condition 9 ( <i>Maturity Date Extension</i> ).
<b>"Potential Credit Event"</b>	means a Potential Failure to Pay (if Failure to Pay is an applicable Credit Event in respect of the Reference Entity), a Potential Repudiation/Moratorium (if Repudiation/Moratorium is an applicable Credit Event in respect of the Reference Entity) or if Auction Settlement is specified as applicable in the Applicable Pricing Supplement and a Credit Event Resolution Request Date has occurred and the relevant Credit Derivatives Determinations Committee has not made its determination, such event will be deemed to be a Potential Credit Event. The Calculation Agent and, provided that Auction Settlement is specified as the applicable Settlement Method, a Credit Derivatives Determinations Committee may each determine whether a Potential Failure to Pay or a Potential Repudiation/Moratorium has occurred.
<b>"Potential Failure to Pay"</b>	means the failure by the Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations.
<b>"Potential Repudiation/Moratorium"</b>	means the occurrence of an event described in paragraph (a) of the definition of "Repudiation/Moratorium".
<b>"Prior Deliverable Obligation"</b>	means: <ul style="list-style-type: none"> <li>(a) if a Governmental Intervention has occurred (whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or, where Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement, the DC Credit Event Announcement), any obligation of the Reference Entity which (i) existed immediately prior to such Governmental Intervention, (ii) was the subject of such Governmental Intervention and (iii) fell within paragraphs (a) or (b) of the definition of "Deliverable Obligation" above, in each case, immediately</li> </ul>

preceding the date on which such Governmental Intervention was legally effective; or

- (b) if a Restructuring which does not constitute a Governmental Intervention has occurred in respect of the Reference Obligation (whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or, where Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement, the DC Credit Event Announcement), such Reference Obligation, if any.

**"Private-side Loan"**

means a Loan in respect of which the documentation governing its terms is not publicly available or capable of being made public without violating a law, agreement, understanding or other restriction regarding the confidentiality of such information.

**"Prohibited Action"**

means any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in (a) to (d) of the definition of "Credit Event" above) or right of set-off by or of the Reference Entity or any applicable Underlying Obligor.

**"PSN Cut-off Date"**

means subject, where applicable, to Credit Linked Condition 4 (*Physical Settlement*) and Credit Linked Condition 11 (*Settlement Suspension*):

- (a) Subject to paragraph (b) below, the thirtieth calendar day after the Credit Event Determination Date; or
- (b) if, in accordance with the terms of Credit Linked Condition 2 (*Auction Settlement*), Credit Linked Condition 4 (*Physical Settlement*) applies as a result of the occurrence of (a) an Auction Cancellation Date or (b) a No Auction Announcement Date and:
  - (i) the relevant Credit Event is not an M(M)R Restructuring, the later of:
    - (A) the thirtieth calendar day after the Credit Event Determination Date; and
    - (B) the thirtieth calendar day after the Auction Cancellation Date or the No Auction Announcement Date, occurring pursuant to paragraph (a) or (c)(i) of the definition of "No Auction Announcement Date" above, as applicable; or

- (ii) the relevant Credit Event is an M(M)R Restructuring either:
  - (A) the later of:
    - I. the thirtieth calendar day after the Credit Event Determination Day; and
    - II. the thirtieth calendar day after:
      - (x) a No Auction Announcement Date occurring pursuant to paragraph (a) of the definition of "No Auction Announcement Date" above, if any;
      - (y) a No Auction Announcement Date occurring pursuant to subparagraph (c)(i) of the definition of "No Auction Announcement Date" above, if any; or
      - (z) the Auction Cancellation Date, if any, as applicable; or
  - (B) the later of the Parallel Notice of Physical Settlement Date (or, if more than one Parallel Notice of Physical Settlement Date should occur, the last Parallel Notice of Physical Settlement Date), and the Relevant City Business Day immediately following the Parallel Auction Cancellation Date, if any (or, if more than one should occur, the last Parallel Auction Cancellation Date), as applicable, in circumstances where either:

- I. a No Auction Announcement Date occurs pursuant to paragraph (a) of the definition of "No Auction Announcement Date" above and the Issuer has not exercised the Movement Option; or
- II. a No Auction Announcement Date occurs pursuant to paragraph (c)(ii) of the definition of "No Auction Announcement Date" above and the Issuer has not exercised the Movement Option,

provided that in the case of paragraphs (b) above, the relevant Credit Event Resolution Request Date, if any, occurred on or prior to the thirtieth calendar day after the Credit Event determination Date.

**"PSN Effective Date"**

means the date on which an effective Notice of Physical Settlement or Physical Settlement Amendment Notice, as the case may be, is delivered by the Issuer in accordance with Credit Linked Condition 4 (*Physical Settlement*).

**"Public Source"**

means:

- (a) if (A) Auction Settlement is specified as the applicable Settlement Method and (B) Local Market Variation is specified as not applicable, in each case, in the Applicable Pricing Supplement each source of Publicly Available Information specified as such in the Applicable Pricing Supplement (or if no such source is specified in the Applicable Pricing Supplement, each of Bloomberg, Reuters, Dow Jones Newswires, The Wall Street Journal, The New York Times, Nihon Keizai Shimbun, Asahi Shimbun, Yomiuri Shimbun, Financial Times, La Tribune, Les Echos, The Australian Financial Review, and Debtwire, (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources); or
- (b) if sub-paragraph (a) above does not apply, each source of Publicly Available Information specified



as such in the Applicable Pricing Supplement (or if no such source is specified in the Applicable Pricing Supplement, each of Bloomberg, Reuters, Dow Jones Newswires, The Wall Street Journal, The New York Times, Nihon Keizai Shimbun, Asahi Shimbun, Yomiuri Shimbun, Financial Times, La Tribune, Les Echos, The Australian Financial Review, Debtwire, Business Day newspaper, Financial Mail and moneyweb.co.za (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources).

**"Publicly Available Information"**

means information that reasonably confirms any of the facts relevant to the determination that the Credit Event or a Potential Repudiation/Moratorium, as applicable, described in a Credit Event Notice or Repudiation/Moratorium Extension Notice have occurred and which:

- (a) has been published in or on not less than the Specified Number of Public Sources (regardless of whether the reader or user thereof pays a fee to obtain such information);
- (b) is information received from or published by (i) the Reference Entity (or, if the Reference Entity is a Sovereign, any agency, instrumentality, ministry, department or other authority thereof acting in a governmental capacity (including, without limiting the foregoing, the central bank) of such Sovereign) or (ii) a trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation; or
- (c) is information contained in any order, decree, notice, petition or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body;

provided that where any information of the type described in paragraphs (b) or (c) above is not publicly available, it can only constitute Publicly Available Information if it can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.

In relation to any information of the type described in paragraphs (b) or (c) above, the Calculation Agent may assume that such information has been disclosed to it without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information and that the entity disclosing such information has not taken any action or entered into any agreement or understanding

with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to the party receiving such information.

Without limitation, Publicly Available Information need not state:

- (i) in relation to the definition of "Downstream Affiliate", the percentage of Voting Shares owned by the Reference Entity; and
- (ii) that the relevant occurrence:
  - (A) has met the Payment Requirement or Default Requirement;
  - (B) is the result of exceeding any applicable Grace Period; or
  - (C) has met the subjective criteria specified in certain Credit Events.

In relation to a Repudiation/Moratorium Credit Event, Publicly Available Information must relate to the events described in paragraphs (a) and (b) of the definition of "Repudiation/Moratorium" below.

**"Qualifying Affiliate Guarantee"**

means a Qualifying Guarantee provided by the Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of the Reference Entity.

**"Qualifying Guarantee"**

means a guarantee evidenced by a written instrument (which may include a statute or regulation), pursuant to which the Reference Entity irrevocably agrees, undertakes or is otherwise obliged to pay all amounts of principal and interest (except for amounts which are not covered due to the existence of a Fixed Cap) due under an Underlying Obligation for which the Underlying Obligor is the obligor, by guarantee of payment and not by guarantee of collection (or, in either case, any legal arrangement which is equivalent thereto in form under the relevant governing law).

A Qualifying Guarantee shall not include any guarantee:

- (a) which is structured as a surety bond, financial guarantee insurance policy or letter of credit (or any legal arrangement which is equivalent thereto in form); or
- (b) pursuant to the terms applicable thereto, the principal payment obligations of the Reference Entity can be discharged, released, reduced, assigned or otherwise altered as a result of the occurrence or non-

occurrence of an event or circumstance, in each case, other than:

- (i) by payment;
- (ii) by way of Permitted Transfer;
- (iii) by operation of law;
- (iv) due to the existence of a Fixed Cap; or
- (v) due to:
  - (A) provisions permitting or anticipating a Governmental Intervention, if "Financial Reference Entity Terms" is specified as applicable in the Applicable Pricing Supplement; or
  - (B) any Solvency Capital Provisions, if "Subordinated European Insurance Terms" is specified as applicable in the Applicable Pricing Supplement.

If the guarantee or Underlying Obligation contains provisions relating to the discharge, release, reduction, assignment or other alteration of the principal payment obligations of the Reference Entity and such provisions have ceased to apply or are suspended at the time of the relevant determination, in accordance with the terms of such guarantee or Underlying Obligation, due to or following the occurrence of (I) a non-payment in respect of the guarantee or the Underlying Obligation, or (II) an event of the type described in the definition of "Bankruptcy" above in respect of the Reference Entity or the Underlying Obligor, then it shall be deemed for these purposes that such cessation or suspension is permanent, notwithstanding the terms of the guarantee or Underlying Obligation.

In order for a guarantee to constitute a Qualifying Guarantee:

- (i) the benefit of such guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation; and

- (ii) if a guarantee contains a Fixed Cap, all claims to any amounts which are subject to such Fixed Cap must be capable of being Delivered together with the Delivery of such guarantee.

**"Qualifying Participation Seller"**

means any participation seller that meets the requirements specified in the Applicable Pricing Supplement. If no such requirements are specified, there shall be no Qualifying Participation Seller.

**"Quantum of the Claim"**

means the lowest amount of the claim which could be validly asserted against the Reference Entity in respect of the Non-Contingent Amount if the obligation had become redeemable, been accelerated, terminated or had otherwise become due and payable at the time of the relevant determination, provided that the Quantum of the Claim cannot exceed the Non-Contingent Amount.

**"Quotation"**

means each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:

The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Quotation Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three (3) Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the tenth Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Quotation Dealers and, if two or more Full Quotations are not available, a Weighted Average Quotation. If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day on or prior to the tenth Business Day following the applicable Valuation Date the Quotations shall be deemed to be any Full Quotation obtained from a Quotation Dealer at the Valuation Time on such tenth Business Day, or if no Full Quotation is obtained, the weighted average of any firm quotations for the Valuation Obligation obtained from Quotation Dealers at the Valuation Time on such tenth Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.

**"Quotation Amount"**

means the amount specified as such in the Applicable Pricing Supplement (which may be specified by reference to an amount in a currency or by reference to a Representative Amount) or, if no amount is specified in the Applicable

Pricing Supplement, the aggregate Nominal Amount of the Notes (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent by reference to exchange rates in effect at the time that the relevant Quotation is being obtained).

**"Quotation Dealer"**

means a dealer (other than the Issuer or any Affiliate of the Issuer) in obligations of the type of Obligation(s) for which Quotations are to be obtained including each Quotation Dealer specified in the Applicable Pricing Supplement. If no Quotation Dealers are specified in the Applicable Pricing Supplement, the Calculation Agent shall select the Quotation Dealers. Upon a Quotation Dealer no longer being in existence (with no successors), or not being an active dealer in the obligations of the type for which Quotations are to be obtained, the Calculation Agent may substitute any other Quotation Dealer(s) for such Quotation Dealer(s).

**"Quotation Method"**

means the applicable Quotation Method specified in the Applicable Pricing Supplement by reference to one of the following terms:

- (a) **"Bid"** means that only bid quotations shall be requested from Quotation Dealers;
- (b) **"Offer"** means that only offer quotations shall be requested from Quotation Dealers; or
- (c) **"Mid-market"** means that bid and offer quotations shall be requested from Quotation Dealers and shall be averaged for purposes of determining a relevant Quotation Dealer's quotation.

If a Quotation Method is not specified in the Applicable Pricing Supplement, Bid shall apply.

**"Reference Entity"**

means the entity specified as such in the Applicable Pricing Supplement. Any Successor to the Reference Entity either (a) identified pursuant to the definition of "Successor" on or following the Trade Date or (b) where Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement, identified pursuant to a DC Resolution in respect of a Successor Resolution Request Date and publicly announced by the DC Secretary on or following the Trade Date shall, in each case, with effect from the Succession Date, be the Reference Entity for the purposes of the relevant Series.

**"Reference Obligation"**

means the Standard Reference Obligation, if any, unless:

- (a) "Standard Reference Obligation" is specified as not applicable in the Applicable Pricing Supplement, in which case the Reference Obligation will be the Non-Standard Reference Obligation, if any; or

- (b) (i) "Standard Reference Obligation" is specified as applicable in the Applicable Pricing Supplement (or no election is specified in the Applicable Pricing Supplement), (ii) there is no Standard Reference Obligation and (iii) a Non-Standard Reference Obligation is specified in the Applicable Pricing Supplement, in which case the Reference Obligation will be (A) the Non-Standard Reference Obligation to but excluding the first date of publication of the Standard Reference Obligation and (B) the Standard Reference Obligation from such date onwards, provided that the Standard Reference Obligation that is published would have been eligible to be selected as a Substitute Reference Obligation.

If the Standard Reference Obligation is removed from the SRO List, such obligation shall cease to be the Reference Obligation (other than for purposes of the "Not Subordinated" Obligation Characteristic or "Not Subordinated" Deliverable Obligation Characteristic) and there shall be no Reference Obligation unless and until such obligation is subsequently replaced on the SRO List, in which case, the new Standard Reference Obligation in respect of the Reference Entity shall constitute the Reference Obligation.

**"Reference Obligation Only Notes"**

means any Notes in respect of which (a) "Reference Obligation Only" is specified as the Obligation Category and the Deliverable Obligation Category in the Applicable Pricing Supplement and (b) "Standard Reference Obligation" is specified as not applicable in the Applicable Pricing Supplement.

**"Reference Transaction"**

means a hypothetical credit derivative transaction:

- (a) for which the Deliverable Obligation Terms and the Reference Obligation are (i) the same as in respect of the Credit Linked Notes (if such Deliverable Obligation Terms and Reference Obligation are specified in the Applicable Pricing Supplement) or (ii) if and to the extent the Deliverable Obligation Terms and/or the Reference Obligation are not specified, the Deliverable Obligation Terms and Reference Obligation determined by the Calculation Agent to be appropriate in respect of a credit derivative transaction linked to the relevant Reference Entity;
- (b) with a scheduled termination date matching the Scheduled Maturity Date of the Credit Linked Notes; and

- (c) otherwise having such other characteristics as the Calculation Agent may determine appropriate by reference to, without limitation, the Issuer's hedging arrangements (if any at the relevant time), and/or any credit derivative elections made in relation to the Credit Linked Notes.

**"Relevant City Business Day"**

has the meaning given in the DC Rules.

**"Relevant Guarantee"**

means a Qualifying Affiliate Guarantee or, if "All Guarantees" is specified as applicable in the Applicable Pricing Supplement, a Qualifying Guarantee.

**"Relevant Holder"**

means a holder of the latest Prior Deliverable Obligation or Package Observable Bond, as the case may be, with an Outstanding Principal Balance or Due and Payable Amount, as applicable, immediately prior to the relevant Asset Package Credit Event, equal to the Outstanding Amount specified in respect of such Prior Deliverable Obligation or Package Observable Bond in the Notice of Physical Settlement, Physical Settlement Amendment Notice, Notice of Valuation Settlement or Valuation Settlement Amendment Notice, as applicable.

**"Relevant Obligations"**

means the Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan" and which are outstanding immediately prior to the Succession Date (or, if there is a Steps Plan, immediately prior to the legally effective date of the first succession), provided that:

- (a) any Bonds or Loans outstanding between the Reference Entity and any of its Affiliates, or held by the Reference Entity, shall be excluded;
- (b) if there is a Steps Plan, the Calculation Agent shall, for purposes of the determination required to be made under paragraph (a) of the definition of "Successor" below, make the appropriate adjustments required to take account of any Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan" that are issued, incurred, redeemed, repurchased or cancelled from and including the legally effective date of the first succession to and including the Succession Date;
- (c) if "Financial Reference Entity Terms" is specified as applicable in the Applicable Pricing Supplement and
  - (i) the Reference Obligation or Prior Reference Obligation, as applicable, is a Senior Obligation, or
  - (ii) there is no Reference Obligation or Prior Reference Obligation, the Relevant Obligations shall only include the Senior Obligations of the Reference

Entity which fall within the Obligation Category "Bond or Loan"; and

- (d) if "Financial Reference Entity Terms" is specified as applicable in the Applicable Pricing Supplement, and the Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation, Relevant Obligations shall exclude Senior Obligations and any Further Subordinated Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan", provided that if no such Relevant Obligations exist, "Relevant Obligations" shall only include the Senior Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan".

**"Replaced Deliverable Obligation Outstanding Amount"**

has the meaning given to that term in Credit Linked Condition 4 (*Physical Settlement*).

**"Replaced Valuation Obligation Outstanding Amount"**

has the meaning given to that term in Credit Linked Condition 3 (*Cash Settlement*).

**"Replacement Deliverable Obligation"**

has the meaning given to that term in Credit Linked Condition 4 (*Physical Settlement*).

**"Replacement Valuation Obligation"**

has the meaning given to that term in Credit Linked Condition 3 (*Cash Settlement*).

**"Representative Amount"**

means an amount that is representative for a single transaction in the relevant market and at the relevant time, which amount will be determined by the Calculation Agent.

**"Repudiation/Moratorium"**

means the occurrence of both of the following events:

- (a) an authorised officer of the Reference Entity or a Governmental Authority:
- (i) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement; or
  - (ii) declares or imposes a moratorium, standstill, roll-over or deferral, whether *de facto* or *de jure*, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement; and
- (b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default



Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date.

**"Repudiation/Moratorium Evaluation Date"**

means, if a Potential Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date (i) if the Obligations to which such Potential Repudiation/Moratorium relates include Bonds, the date that is the later of (A) the date that is sixty (60) days after the date of such Potential Repudiation/Moratorium and (B) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, the expiration date of any applicable Grace Period in respect of such payment date) and (ii) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is sixty (60) days after the date of such Potential Repudiation/Moratorium provided that, in either case, the Repudiation/Moratorium Evaluation Date shall occur no later than the Scheduled Maturity Date unless the Repudiation/Moratorium Extension Condition is satisfied.

**"Repudiation/Moratorium Extension Condition"**

will be satisfied:

- (a) where Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement, if the DC Secretary publicly announces, pursuant to a valid request that was delivered and effectively received on or prior to the date that is fourteen (14) calendar days after the Scheduled Maturity Date that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the Reference Entity and that such event occurred on or prior to the Scheduled Maturity Date or
- (b) otherwise, by the delivery by the Calculation Agent to the Issuer of a Repudiation/Moratorium Extension Notice and, unless "Notice of Publicly Available Information" is specified as not applicable in the Applicable Pricing Supplement, a Notice of Publicly Available Information that are each effective on or prior to the date that is fourteen (14) calendar days after the Scheduled Maturity Date.

Only where Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement will the Repudiation/Moratorium Extension Condition be deemed not to have been satisfied, or not capable of being satisfied, if, or to the extent that, the DC Secretary publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved that either (A) an

event does not constitute a Potential Repudiation/Moratorium with respect to an Obligation of the Reference Entity, or (B) an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the Reference Entity but that such event occurred after the Scheduled Maturity Date.

**"Repudiation/Moratorium Extension Notice"**

means a notice from the Calculation Agent to the Issuer (which the Calculation Agent has the right but not the obligation to deliver) that describes a Potential Repudiation/Moratorium that occurred on or prior to the Scheduled Maturity Date. A Repudiation/Moratorium Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium Extension Notice need not be continuing on the date the Repudiation/Moratorium Extension Notice is effective.

**"Resolve"**

has the meaning set out in the DC Rules, and **"Resolved"** and **"Resolves"** shall be construed accordingly.

**"Restructured Bond or Loan"**

means an Obligation which is a Bond or Loan and in respect of which the relevant Restructuring has occurred.

**"Restructuring"**

means, with respect to one or more Obligations and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between the Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all the holders of the Obligation or is announced (or otherwise decreed) by the Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation (including, in each case, in respect of Bonds only, by way of an exchange), and such event is not expressly provided for under the terms of such Obligation in effect as of the later of (i) the Trade Date or, if earlier and if specified as applicable in the Applicable Pricing Supplement, the Credit Event Backstop Date applicable to the relevant Credit Linked Notes and (ii) the date as of which such Obligation is issued or incurred:

- (a) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
- (b) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);

- (c) a postponement or other deferral of a date or dates for either (i) the payment or accrual of interest, or (ii) the payment of principal or premium;
- (d) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or
- (e) any change in the currency of any payment of interest, principal or premium to any currency other than the lawful currency of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

Notwithstanding the above provisions, none of the following shall constitute a Restructuring:

- (i) the payment in euro of interest, principal or premium in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;
- (ii) the redenomination from euros into another currency, if (A) the redenomination occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority and (B) a freely available market rate of conversion between euros and such other currency existed at the time of such redenomination and there is no reduction in the rate or amount of interest, principal or premium payable, as determined by reference to such freely available market rate of conversion;
- (iii) the occurrence of, agreement to or announcement of any of the events described in (a) to (e) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and
- (iv) the occurrence of, agreement to or announcement of any of the events described in (a) to (e) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the

Reference Entity, provided that in respect of paragraph (e) above only, no such deterioration in the creditworthiness or financial condition of the Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

For purposes of this definition of "Restructuring" and Credit Linked Condition 14 (*Provisions Relating to Multiple Holder Obligation*) the term "Obligation" shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Guarantee. In the case of a Guarantee and an Underlying Obligation, references to the Reference Entity in the definition of Restructuring and the definition of "Subordination" shall be deemed to refer to the Underlying Obligor and the references to the Reference Entity in subparagraphs (i) to (iv) above shall continue to be deemed to refer to the Reference Entity.

If an exchange has occurred, the determination as to whether one of the events described under paragraphs (a) to (e) above has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

**"Restructuring Date"**

means the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

**"Restructuring Maturity Limitation Date"**

means with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Maturity Date. Notwithstanding the foregoing, if the final maturity date of the Restructured Bond or Loan with the latest final maturity date of any Restructured Bond or Loan occurs prior to the 2.5-year Limitation Date (such Restructured Bond or Loan, a "**Latest Maturity Restructured Bond or Loan**") and the Scheduled Maturity Date occurs prior to the final maturity date of such Latest Maturity Restructured Bond or Loan, then the Restructuring Maturity Limitation Date will be the final maturity date of such Latest Maturity Restructured Bond or Loan. For these purposes, the final maturity date shall be determined on the basis of the terms of the Deliverable Obligation in effect at the time of making such determination and, in the case of a Deliverable Obligation that is due and payable, the final maturity date shall be deemed to be the date on which such determination is made.

**"Revised Currency Rate"**

means, with respect to a Replacement Deliverable Obligation specified in a Physical Settlement Amendment Notice or a

Replacement Valuation Obligation specified in the Valuation Settlement Amendment Notice, the rate of conversion between the currency in which the Replaced Deliverable Obligation Outstanding Amount or the Replaced Valuation Obligation Outstanding Amount, as applicable, is denominated and the currency in which the Outstanding Principal Balance or Due and Payable Amount of such Replacement Deliverable Obligation or such Replacement Valuation Obligation, as applicable, is denominated that is determined either (a) by reference to the Currency Rate Source as at the Next Currency Fixing Time or (b) if such rate is not available at such time, by the Calculation Agent.

**"Scheduled Maturity Date"** has the meaning given to it in the Applicable Pricing Supplement.

**"Seniority Level"** means, with respect to an obligation of the Reference Entity:

- (a) "Senior Level" or "Subordinated Level" as specified in the Applicable Pricing Supplement, or
- (b) if no such seniority level is specified in the Applicable Pricing Supplement, "Senior Level" if the Original Non-Standard Reference Obligation is a Senior Obligation or "Subordinated Level" if the Original Non-Standard Reference Obligation is a Subordinated Obligation, failing which
- (c) "Senior Level".

**"Senior Obligation"** means any obligation which is not Subordinated to any unsubordinated Borrowed Money obligation of the relevant Reference Entity.

**"Settlement Currency"** means the currency specified as such in the Applicable Pricing Supplement, or if no currency is specified in the Applicable Pricing Supplement, the Payment Currency of the Credit Linked Notes.

**"Settlement Method"** means, if (a) Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement, Auction Settlement or (b) Cash Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement, Cash Settlement, or (c) Physical Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement, Physical Settlement.

**"Solvency Capital Provisions"** means any terms in an obligation which permit the Reference Entity's payment obligations thereunder to be deferred, suspended, cancelled, converted, reduced or otherwise varied and which are necessary in order for the obligation to constitute capital resources of a particular tier.

<b>"Sovereign"</b>	means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority acting in a governmental capacity (including without limiting the foregoing, the central bank) thereof.
<b>"Sovereign Restructured Deliverable Obligation"</b>	means an Obligation of a Reference Entity which is a Sovereign (either directly or as provider of a Relevant Guarantee) (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice or, where Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement, a DC Credit Event Announcement has occurred and (b) which fell within paragraph (a) of the definition of "Deliverable Obligation" above immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.
<b>"Sovereign Succession Event"</b>	means, with respect to a Reference Entity that is a Sovereign, an annexation, unification, secession, partition, dissolution, consolidation, reconstitution or, other similar event.
<b>"Specified Number"</b>	means the number of Public Source(s) specified in the Applicable Pricing Supplement, or if no such number is specified in the Applicable Pricing Supplement, two.
<b>"SRO List"</b>	means the list of Standard Reference Obligations as published by ISDA on its website at <a href="http://www.isda.org">www.isda.org</a> from time to time (or any successor website thereto) or by a third party designated by ISDA on its website from time to time.
<b>"Standard Reference Obligation"</b>	means the obligation of the Reference Entity with the relevant Seniority Level which is specified from time to time on the SRO List.
<b>"Standard Specified Currency"</b>	means: <ul style="list-style-type: none"> <li>(a) if (A) Auction Settlement is specified as the applicable Settlement Method and (B) Local Market Variation is specified as not applicable, in each case, in the Applicable Pricing Supplement, each of the lawful currencies of Canada, Japan, Switzerland, France, Germany, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole); or</li> <li>(b) if sub-paragraph (a) above does not apply, each of the lawful currencies of Canada, Japan, Switzerland, France, Germany, South Africa, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned</li> </ul>

currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).

**"Steps Plan"**

means a plan evidenced by Eligible Information contemplating that there will be a series of successions to some or all of the Relevant Obligations of the Reference Entity, by one or more entities.

**"Subordinated Obligation"**

means any obligation which is Subordinated to any unsubordinated Borrowed Money obligation of the relevant Reference Entity or which would be so Subordinated if any unsubordinated Borrowed Money obligation of that Reference Entity existed.

**"Substitute Reference Obligation"**

means, with respect to a Non-Standard Reference Obligation to which a Substitution Event has occurred, the obligation that will replace the Non-Standard Reference Obligation, determined by the Calculation Agent as follows:

- (a) The Calculation Agent shall identify the Substitute Reference Obligation in accordance with paragraphs (c), (d) and (e) below to replace the Non-Standard Reference Obligation; provided that where Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement, the Calculation Agent will not identify an obligation as the Substitute Reference Obligation if, at the time of the determination, such obligation has already been rejected as the Substitute Reference Obligation by the relevant Credit Derivatives Determinations Committee and such obligation has not changed materially since the date of the relevant DC Resolution.
- (b) If any of the events set forth under paragraphs (a) or (b)(ii) of the definition of "Substitution Event" have occurred with respect to the Non-Standard Reference Obligation, the Non-Standard Reference Obligation will cease to be the Reference Obligation (other than for purposes of the "Not Subordinated" Obligation Characteristic or "Not Subordinated" Deliverable Obligation Characteristic and paragraph (c)(ii)). If the event set forth in paragraph (b)(i) of the definition of "Substitution Event" below has occurred with respect to the Non-Standard Reference Obligation and no Substitute Reference Obligation is available, the Non-Standard Reference Obligation will continue to be the Reference Obligation until the Substitute Reference Obligation is identified or, if earlier, until any of the events set forth under paragraph (a) or (b)(ii) of the definition of "Substitution Event" below occur with respect to such Non-Standard Reference Obligation.

- (c) The Substitute Reference Obligation shall be an obligation that on the Substitution Date:
  - (i) is a Borrowed Money obligation of the Reference Entity (either directly or as provider of a guarantee);
  - (ii) satisfies the Not Subordinated Deliverable Obligation Characteristic as of the date it was issued or incurred (without reflecting any change to the priority of payment after such date) and on the Substitution Date; and
  - (iii) (A) if the Non-Standard Reference Obligation was a Conforming Reference Obligation when issued or incurred and immediately prior to the Substitution Event Date:
    - (i) is a Deliverable Obligation (other than a Loan) determined in accordance with paragraph (a) of the definition of "Deliverable Obligation" above; or if no such obligation is available,
    - (ii) is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with paragraph (a) of the definition of "Deliverable Obligation" above;
  - (B) if the Non-Standard Reference Obligation was a Bond (or any other Borrowed Money obligation other than a Loan) which was a Non-Conforming Reference Obligation when issued or incurred and/or immediately prior to the Substitution Event Date:
    - (i) is a Non-Conforming Substitute Reference Obligation (other than a Loan); or if no such obligation is available,
    - (ii) is a Deliverable Obligation (other than a Loan)



determined in accordance with paragraph (a) of the definition of "Deliverable Obligation" above; or if no such obligation is available,

(iii) is a Non-Conforming Substitute Reference Obligation which is a Loan (other than a Private-side Loan); or if no such obligation is available,

(iv) is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with paragraph (a) of the definition of "Deliverable Obligation" above; or

(C) if the Non-Standard Reference Obligation was a Loan which was a Non-Conforming Substitute Reference Obligation when incurred and/or immediately prior to the Substitution Event Date:

(i) is a Non-Conforming Substitute Reference Obligation which is a Loan (other than a Private-side Loan); or if no such obligation is available,

(ii) is a Non-Conforming Substitute Reference Obligation (other than a Loan); or if no such obligation is available,

(iii) is a Deliverable Obligation (other than a Loan) determined in accordance with paragraph (a) of the definition of Deliverable Obligation above; or if no such obligation is available,

(iv) is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in

accordance with paragraph (a) of the definition of "Deliverable Obligation" above.

- (d) If more than one potential Substitute Reference Obligation is identified pursuant to the process described in paragraph (c) above, the Substitute Reference Obligation will be the potential Substitute Reference Obligation that most closely preserves the economic equivalent of the delivery and payment obligations of the Issuer under the Notes as determined by the Calculation Agent. The Issuer will notify the Noteholders in accordance with General Condition 13 (*Notices*) of the Substitute Reference Obligation as soon as reasonably practicable after it has been identified in accordance with paragraph (c) above and the Substitute Reference Obligation shall replace the Non-Standard Reference Obligation.
- (e) If a Substitution Event has occurred with respect to the Non-Standard Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for the Non-Standard Reference Obligation then, subject to paragraph (a) above and notwithstanding the fact that the Non-Standard Reference Obligation may have ceased to be the Reference Obligation in accordance with paragraph (b) above, the Calculation Agent shall continue to attempt to identify the Substitute Reference Obligation.
- (f) For the avoidance of doubt, no Substitute Reference Obligation shall be determined in respect of any Credit Linked Notes that are Reference Obligation Only Notes.

**"Substitution Date"**

means, with respect to a Substitute Reference Obligation, the date on which the Calculation Agent notifies the Issuer of the Substitute Reference Obligation that it has identified in accordance with the definition of "Substitute Reference Obligation" above.

**"Substitution Event"**

means, with respect to the Non-Standard Reference Obligation:

- (a) the Non-Standard Reference Obligation is redeemed in whole; or
- (b) provided that the Credit Linked Notes to which the Non-Standard Reference Obligation relates are not Reference Obligation Only Notes:

- (i) the aggregate amounts due under the Non-Standard Reference Obligation have been reduced by redemption or otherwise below ZAR100,000,000 (or its equivalent in the relevant Obligation Currency, as determined by the Calculation Agent); or
- (ii) for any reason, other than due to the existence or occurrence of a Credit Event, the Non-Standard Reference Obligation is no longer an obligation of the Reference Entity (either directly or as provider of a guarantee).

For purposes of identification of the Non-Standard Reference Obligation, any change in the Non-Standard Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, constitute a Substitution Event. If an event described in paragraph (a) or (b)(i) above has occurred on or prior to the Trade Date, then a Substitution Event shall be deemed to have occurred pursuant to paragraph (a) or (b)(i) above as the case may be, on the Trade Date.

**"Substitution Event Date"**

means, with respect to the Reference Obligation, the date of the occurrence of the relevant Substitution Event.

**"Succession Date"**

means the legally effective date of an event in which one or more entities succeed to some or all of the Relevant Obligations of the Reference Entity; provided that if at such time, there is a Steps Plan, the Succession Date will be the legally effective date of the final succession in respect of such Steps Plan, or if earlier (i) the date on which a determination pursuant to paragraph (a) of the definition of "Successor" below would not be affected by any further related successions in respect of such Steps Plan, or (ii) the occurrence of a Credit Event Determination Date in respect of the Reference Entity or any entity which would constitute a Successor.

**"Successor"**

means:

- (a) subject to paragraph (b) below, the entity or entities, if any, determined as follows:
  - (i) subject to paragraph (vii) below, if one entity succeeds, either directly or indirectly, as a provider of a Relevant Guarantee, to seventy-five per cent. or more of the Relevant Obligations of the Reference Entity, that entity will be the sole Successor;

- (ii) if only one entity succeeds directly as a provider of a Relevant Guarantee, to more than twenty-five per cent. (but less than seventy-five per cent.) of the Relevant Obligations of the Reference Entity, and not more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than twenty-five per cent. of the Relevant Obligations will be the sole Successor;
- (iii) if more than one entity each succeeds directly as a provider of a Relevant Guarantee, to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity, and not more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than twenty-five per cent. of the Relevant Obligations will each be a Successor and the General Conditions, these Credit Linked Conditions and/or the Applicable Pricing Supplement will be adjusted as provided below;
- (iv) if one or more entity each succeed directly as a provider of a Relevant Guarantee, to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity, and more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will each be a Successor and the General Conditions, these Credit Linked Conditions and/or the Applicable Pricing Supplement will be adjusted as provided below;
- (v) if one or more entities succeed directly as a provider of a Relevant Guarantee, to a portion of the Relevant Obligations of the Reference Entity, but no entity succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity will not be changed in any way as a result of such succession;
- (vi) if one or more entities succeed, either directly or indirectly, as a provider of a

Relevant Guarantee, to a portion of the Relevant Obligations of the Reference Entity, but no entity succeeds to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations will be the Successor (provided that if two or more entities succeed to an equal percentage of Relevant Obligations, each such entity will be a Successor and the General Conditions, these Credit Linked Conditions and/or the Applicable Pricing Supplement will be adjusted as provided below); and

(vii) in respect of a Reference Entity which is not a Sovereign, if one entity assumes all of the obligations (including at least one Relevant Obligation) of the Reference Entity, and at the time of the determination either (A) the Reference Entity has ceased to exist, or (B) the Reference Entity is in the process of being dissolved (howsoever described) and the Reference Entity has not issued or incurred any Borrowed Money obligation at any time since the legally effective date of the assumption, such entity (the Universal Successor) will be the sole Successor; and

(b) An entity may only be a Successor if:

(i) either (A) the related Succession Date occurs on or after the Successor Backstop Date, or (B) such entity is a Universal Successor in respect of which the Succession Date occurred on or after 1 January 2014;

(ii) the Reference Entity had at least one Relevant Obligation outstanding immediately prior to the Succession Date and such entity succeeds to all or part of at least one Relevant Obligation of the Reference Entity; and

(iii) where the Reference Entity is a Sovereign, such entity succeeded to the Relevant Obligations by way of a Sovereign Succession Event.

The Calculation Agent will be responsible for determining, as soon as reasonably practicable after delivery of a Successor Notice and with effect from the Succession Date,

any Successor or Successors under paragraph (a) above, Provided That where Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement, the Calculation Agent will not make any such determination if, at the time of determination, the DC Secretary has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that there is no Successor based on the relevant succession to Relevant Obligations.

The Calculation Agent will make all calculations and determinations required to be made under this definition of "Successor" on the basis of Eligible Information and will, as soon as practicable after such calculation or determination, make such calculation or determination available for inspection by Noteholders at the specified office of the Paying Agent. In calculating the percentages used to determine whether an entity qualifies as a Successor under paragraph (a) above, if there is a Steps Plan, the Calculation Agent shall consider all related successions in respect of such Steps Plan in aggregate as if forming part of a single succession.

Where pursuant to paragraph (a)(iii), (a)(iv) or (a)(v) or (b) above, more than one Successor has been identified, the Calculation Agent shall adjust such of the General Conditions, these Credit Linked Conditions and/or the Applicable Pricing Supplement as it shall determine to be appropriate to reflect that the Reference Entity has been succeeded by more than one Successor and shall determine the effective date of that adjustment. The Calculation Agent shall be deemed to be acting in a commercially reasonable manner if it adjusts such of the General Conditions, these Credit Linked Conditions and/or the Applicable Pricing Supplement in such a manner as to reflect the adjustment to and/or division of any credit derivative transaction(s) related to or underlying the Credit Linked Notes under the provisions of the 2014 ISDA Credit Derivatives Definitions.

Upon the Calculation Agent making such adjustment, the Issuer shall give notice as soon as practicable to Noteholders in accordance with General Condition 13 (*Notices*) stating the adjustment to the General Conditions, these Credit Linked Conditions and/or the Applicable Pricing Supplement and giving brief details of the relevant Successor event.

If two or more entities (each, a "**Joint Potential Successor**") jointly succeed to a Relevant Obligation (the "**Joint Relevant Obligation**") either directly or as a provider of a Relevant Guarantee, then (i) if the Joint Relevant Obligation was a direct obligation of the Reference Entity, it shall be treated as having been succeeded to by the Joint Potential Successor (or Joint Potential Successors, in equal parts)

which succeeded to such Joint Relevant Obligation as direct obligor or obligors, or (ii) if the Joint Relevant Obligation was a Relevant Guarantee, it shall be treated as having been succeeded to by the Joint Potential Successor (or Joint Potential Successors, in equal parts) which succeeded to such Joint Relevant Obligation as guarantor or guarantors, if any, or otherwise by each Joint Potential Successor in equal parts.

For the purposes of this definition of "Successor", "succeed" means, with respect to the Reference Entity and its Relevant Obligations, that an entity other than the Reference Entity (i) assumes or becomes liable for such Relevant Obligations whether by operation of law or pursuant to any agreement (including, with respect to a Reference Entity that is a Sovereign, any protocol, treaty, convention, accord, concord, entente, pact or other agreement), or (ii) issues Bonds or incurs Loans (the "**Exchange Bonds**" or "**Loans**") that are exchanged for Relevant Obligations, and in either case the Reference Entity is not thereafter a direct obligor or a provider of a Relevant Guarantee with respect to such Relevant Obligations or such Exchange Bonds or Loans, as applicable. For purposes of this definition of "Successor", "succeeded" and "succession" shall be construed accordingly. In the case of an exchange offer, the determinations required pursuant to paragraph (a) of this definition of "Successor" shall be made on the basis of the outstanding principal balance of Relevant Obligations exchanged and not on the basis of the outstanding principal balance of the Exchange Bonds or Loans.

**"Successor Backstop Date"**

means for purposes of any Successor determination determined by DC Resolution, the date that is ninety (90) calendar days prior to the Successor Resolution Request Date otherwise, the date that is ninety (90) calendar days prior to the earlier of (i) the date on which the Successor Notice is effective and (ii) if Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement and in circumstances where (A) a Successor Resolution Request Date has occurred, (B) the relevant Credit Derivatives Determinations Committee has Resolved not to make a Successor determination and (C) the Successor Notice is delivered not more than fourteen (14) calendar days after the day on which the DC Secretary publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to make a Successor determination, the Successor Resolution Request Date. The Successor Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

**"Successor Notice"**

means an irrevocable notice from the Calculation Agent to the Issuer that describes a succession (or, in relation to a Reference Entity that is a Sovereign, a Sovereign Succession Event) in respect of which a Succession Date has occurred

and pursuant to which one or more Successors to the Reference Entity can be determined.

A Successor Notice must contain a description in reasonable detail of the facts relevant to the determination to be made pursuant to paragraph (a) of the definition of "Successor" above.

**"Successor Resolution Request Date"**

means, with respect to a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve one or more Successors to the Reference Entity, the date, as publicly announced by the DC Secretary, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.

**"Suspension Period"**

shall have the meaning given to that term in Credit Linked Condition 11 (*Settlement Suspension*).

**"Trade Date"**

means the date specified as such in the Applicable Pricing Supplement.

**"Transaction Auction Settlement Terms"**

means the Credit Derivatives Auction Settlement Terms selected by the Calculation Agent in accordance with this provision. In relation to a Credit Event (and as set out in the definition of "Credit Derivatives Auction Settlement Terms"), ISDA may publish one or more form(s) of Credit Derivatives Auction Settlement Terms on its website at [www.isda.org](http://www.isda.org) (or any successor website thereto) and may amend such forms from time to time. Each such form of Credit Derivatives Auction Settlement Terms shall set out, *inter alia*, definitions of "Auction", "Auction Cancellation Date", "Auction Covered Transaction" and "Auction Final Price Determination Date" in relation to the relevant Credit Event. The Transaction Auction Settlement Terms for purposes of the Credit Linked Notes shall be the relevant form of Credit Derivatives Auction Settlement Terms for which the Reference Transaction would be an Auction Covered Transaction (as such term will be set out in the relevant Credit Derivatives Auction Settlement Terms). The Reference Transaction (as set out in the definition thereof) is a hypothetical credit derivative transaction included in these Credit Linked Conditions principally for the purpose of selecting the Credit Derivatives Auction Settlement Terms appropriate to the Credit Linked Notes.

**"Undeliverable Obligation"**

means a Deliverable Obligation included in the Entitlement which, on the Physical Settlement Date for such Deliverable Obligation, the Calculation Agent determines for any reason (including without limitation, failure of the relevant clearance system or due to any law, regulation, court order, contractual restrictions, statutory restrictions or market conditions or the non-receipt of any requisite consents with respect to the Delivery of Loans or non-delivery of a Credit



Asset Transfer Notice or any relevant information by a holder) it is impossible, impracticable or illegal to Deliver on the Physical Settlement Date.

**"Underlying Obligation"**

means, with respect to a guarantee, the obligation which is the subject of the guarantee.

**"Underlying Obligor"**

means with respect to an Underlying Obligation, the issuer in the case of a Bond, the borrower in the case of a Loan, or the principal obligor in the case of any other Underlying Obligation.

**"Unwind Costs Payment Amount"**

has the meaning given to that term in Credit Linked Condition 4 (*Physical Settlement*).

**"Valuation Date"**

means:

- (a) where Physical Settlement is specified in the Applicable Pricing Supplement, the date that is the number of Business Days specified in the Applicable Pricing Supplement (or, if the number of Business Days is not specified, 5 (five) Business Days after the Latest Permissible Physical Settlement Date); or
- (b) where Cash Settlement is specified in the Applicable Pricing Supplement, (A) if "Single Valuation Date" is specified in the Applicable Pricing Supplement and subject to Credit Linked Condition 10 (*Partial Cash Settlement*), (i) the date that is the number of Business Days specified in the Applicable Pricing Supplement (or, if the number of Business Days is not so specified, 5 (five) Business Days) following the Credit Event Determination Date (or if the Credit Event Determination Date occurs pursuant to paragraph (a)(ii) of the definition of "Credit Event Determination Date" above, the day on which the DC Credit Event Announcement occurs) (or, if Cash Settlement is applicable pursuant to the Fallback Settlement Method, the date that is the number of Business Days specified in the Applicable Pricing Supplement or, if the number of Business Days is not so specified, five (5) Business Days following the Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable), or (ii) if the Calculation Agent determines appropriate by reference to the Hedging Arrangements, the Valuation Obligation Observation Date and (B) if "Multiple Valuation Dates" is specified in the Applicable Pricing Supplement, each of the following dates:
  - (i) subject to Credit Linked Condition 11 (*Settlement Suspension*), the date that is the number of Business Days specified in the

Applicable Pricing Supplement (or, if the number of Business Days is not specified, 5 (five) Business Days) following (a) the Credit Event Determination Date (or if the Credit Event Determination Date occurs pursuant to paragraph (a) of the definition of "Credit Event Determination Date" above, the day on which the DC Credit Event Announcement occurs) (or if Cash Settlement is the applicable Fallback Settlement Method, the date that is the number of Business Days specified in the Applicable Pricing Supplement (or, if the number of Business Days is not specified, five Business Days) following the Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable) or (b) if the Calculation Agent determines appropriate by reference to the Hedging Arrangements, the Valuation Obligation Observation Date; and

- (ii) each successive date that is the number of Business Days specified in the Applicable Pricing Supplement or, if the number of Business Days is not so specified, 5 (five) Business Days after the date on which the Calculation Agent obtains a Market Value with respect to the immediately preceding Valuation Date.

When "Multiple Valuation Dates" is specified in the Applicable Pricing Supplement, the total number of Valuation Dates shall be equal to the number of Valuation Dates specified in the Applicable Pricing Supplement (or, if the number of Valuation Dates is not so specified, five Valuation Dates).

If neither Single Valuation Date nor Multiple Valuation Dates is specified in the Applicable Pricing Supplement, Single Valuation Date shall apply.

**"Valuation Method"**

- (a) The following Valuation Methods may be specified in the Applicable Pricing Supplement with only one Valuation Date:
  - (i) "**Market**" means the Market Value determined by the Calculation Agent with respect to the Valuation Date; or
  - (ii) "**Highest**" means the highest Quotation obtained by the Calculation Agent with respect to the Valuation Date.

- (b) If no such Valuation Method is specified in the Applicable Pricing Supplement, the Valuation Method shall be Highest.
- (c) The following Valuation Methods may be specified in the Applicable Pricing Supplement with more than one Valuation Date:
  - (i) **"Average Market"** means the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to each Valuation Date; or
  - (ii) **"Highest"** means the highest Quotation obtained by the Calculation Agent with respect to any Valuation Date; or
  - (iii) **"Average Highest"** means the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent with respect to each Valuation Date.
- (d) If no such Valuation Method is specified in the Applicable Pricing Supplement, the Valuation Method shall be Average Highest.

Notwithstanding paragraphs (a) to (d) above, if Quotations include Weighted Average Quotations or fewer than two Full Quotations, the Calculation Agent may at its option determine that the Valuation Method shall be Market or Average Market, as the case may be.

Where applicable, the Applicable Pricing Supplement may specify an alternative Valuation Method which shall be applicable in respect of the relevant Credit Linked Notes.

**"Valuation Obligation"**

means any Deliverable Obligation as selected by the Calculation Agent in its sole and absolute discretion.

**"Valuation Obligation Observation Date"**

means the last day of the longest Valuation Obligation Observation Settlement Period following the VSN Cut-off Date (the **"Scheduled Valuation Obligation Observation Date"**) provided that if a Hedge Disruption Event has occurred and is continuing on the second Business Day immediately preceding the Scheduled Valuation Obligation Observation Date, the Valuation Obligation Observation Date shall be the earlier of (i) the second Business Day following the date on which no Hedge Disruption Event subsists and (ii) the day falling sixty (60) Business Days following the Scheduled Valuation Obligation Observation Date.

**"Valuation Obligation Observation Settlement Period"**

means, subject to Credit Linked Condition 11 (*Settlement Suspension*), the number of Business Days specified as such in the Applicable Pricing Supplement or, if a number of Business Days is not so specified, then, with respect to a Valuation Obligation comprising the Valuation Reference Holding, the longest number of Business Days for settlement in accordance with then current market practice of such Valuation Obligation, as determined by the Calculation Agent provided that if the Issuer has notified the Noteholders in accordance with Credit Linked Condition 3 (*Cash Settlement*) that it will value an Asset Package in lieu of a Prior Deliverable Obligation or a Package Observable Bond, the Valuation Obligation Observation Settlement Period shall be 35 (thirty five) Business Days.

**"Valuation Reference Holding"**

means, in respect of each nominal amount of Credit Linked Notes equal to the Nominal Amount, Valuation Obligations, as selected by the Calculation Agent, with:

- (a) in the case of Valuation Obligations that are Borrowed Money, an Outstanding Principal Balance; or
- (b) in the case of Valuation Obligations that are not Borrowed Money, a Due and Payable Amount,

(or, in the case of either (a) or (b) above, the equivalent Currency Amount of any such amount), in an aggregate amount as of the first relevant Valuation Date equal to the Nominal Amount less if Unwind Costs are specified as applying in the relevant Applicable Pricing Supplement and are positive, Valuation Obligations with a market value determined by the Calculation Agent on the Business Day selected by the Calculation Agent falling during the period from and including the Credit Event Determination Date to and including the first Valuation Date equal to a *pro rata* share of Unwind Costs.

**"Valuation Settlement Amendment Notice"**

has the meaning given to that term in Credit Linked Condition 3 (*Cash Settlement*).

**"Valuation Time"**

means the time specified as such in the Applicable Pricing Supplement or, if no time is so specified, 11.00 a.m. in the principal trading market for the relevant Valuation Obligation.

**"Voting Shares"**

means the shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

**"VSN Cut-off Date"**

means, subject, where applicable, to Credit Linked Condition 11 (*Settlement Suspension*):

- (a) subject to paragraph (a) below, the thirtieth calendar day after the Credit Event Determination Date; or
- (b) if, in accordance with the terms of Credit Linked Condition 2 (*Auction Settlement*), Credit Linked Condition 3 (*Cash Settlement*) applies as a result of the occurrence of (a) an Auction Cancellation Date or (b) a No Auction Announcement Date where the Issuer has not exercised the Movement Option; and:
  - (i) the relevant Credit Event is not an M(M)R Restructuring, the later of:
    - (A) the thirtieth calendar after the Credit Event Determination Date; and
    - (B) the thirtieth calendar day after the Auction Cancellation Date or the No Auction Announcement Date, occurring pursuant to paragraph (a) or (c)(i) of the definition of "No Auction Announcement Date" above, as applicable; or
  - (ii) the relevant Credit Event is an M(M)R Restructuring either:
    - (A) the later of:
      - (I) the thirtieth calendar day after the Credit Event Determination Date; and
      - (II) the thirtieth calendar day after:
        - (x) a No Auction Announcement Date occurring pursuant to paragraph (a) of the definition of "No Auction Announcement Date" above, if any;
        - (y) a No Auction Announcement Date occurring pursuant to paragraph (c)(i) of the definition of "No Auction Announcement Date" above, if any;

Auction  
Date" above, if any;  
or

(z) the Auction  
Cancellation Date,  
if any, as  
applicable; or

(B) the later of the Parallel Notice of Physical Settlement Date (or, if more than one Parallel Notice of Physical Settlement Date should occur, the last Parallel Notice of Physical Settlement Date), and the Relevant City Business Day immediately following the Parallel Auction Cancellation Date, if any (or, if more than one should occur, the last Parallel Auction Cancellation Date), as applicable, in circumstances where either:

(I) a No Auction  
Announcement Date occurs  
pursuant to paragraph (a) of  
the definition of "No  
Auction Announcement  
Date" above and the Issuer  
has not exercised the  
Movement Option; or

(II) a No Auction  
Announcement Date occurs  
pursuant to paragraph  
(c)(ii) of the definition of  
"No Auction  
Announcement Date"  
above and the Issuer has not  
exercised the Movement  
Option,

provided that in the case of paragraph (b) above, the relevant Credit Event Resolution Request Date, if any, occurred on or prior to the thirtieth calendar day after the Credit Event Determination Date.

**"VSN Effective Date"**

means the date on which an effective Notice of Valuation Settlement or Valuation Settlement Amendment Notice, as the case may be, is delivered by the Issuer in accordance with Credit Linked Condition 3 (*Cash Settlement*).

**"Weighted Average Quotation"**

means in accordance with the Quotation Method, the weighted average of firm quotations obtained from Quotation Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Valuation Obligation with an Outstanding Principal Balance or Due and Payable Amount, as applicable, of as large a size as available but less than the Quotation Amount (but, of a size at least equal to the Minimum Quotation Amount) that in aggregate are approximately equal to the Quotation Amount.

**13. CREDIT EVENT NOTICE AFTER RESTRUCTURING CREDIT EVENT**

If this Credit Linked Condition 13 (*Credit Event Notice After Restructuring Credit Event*) is specified as applicable in the Applicable Pricing Supplement, then, notwithstanding anything to the contrary in these Terms and Conditions, upon the occurrence of an M(M)R Restructuring:

- (a) the Calculation Agent may deliver multiple Credit Event Notices in respect of such M(M)R Restructuring, each such Credit Event Notice setting forth the nominal amount of those Notes to which such Restructuring Credit Event applies (the "**Partial Redemption Amount**") that may be less than the aggregate nominal amount of those Notes outstanding immediately prior to the delivery of such Credit Event Notice. In such circumstances the Credit Linked Conditions and related provisions shall be deemed to apply to the Partial Redemption Amount only and each such Note shall be redeemed in part (such redeemed part being equal to the Partial Redemption Amount);
- (b) for the avoidance of doubt (A) the nominal amount of each Note not so redeemed in part shall remain outstanding and interest shall accrue on the nominal amount outstanding of such Note as provided in General Condition 8 (*Payments*) (adjusted in such manner as the Calculation Agent determines to be appropriate), (B) the Credit Linked Conditions and related provisions shall apply to such nominal amount outstanding of such Note in the event that subsequent Credit Event Notices are delivered in respect of the Reference Entity that was the subject of the Restructuring Credit Event and (C) if, following a Restructuring Credit Event, different Credit Event Determination Dates have been determined with respect to different portions of amounts payable or deliverable to Noteholders under the relevant Series, the Calculation Agent will (x) determine such adjustment(s) to these Terms and Conditions as may be required to achieve as far as practicable the same economic effect as if each such portion was a separate series or otherwise reflect or account for the effect of the above provisions of this Credit Linked Condition 13 (*Credit Event Notice After Restructuring Credit Event*) and (y) the effective date of such adjustment(s); and
- (c) on redemption of part of each such Note, in the case of Registered Notes, the Register and in the case of Bearer Notes, the Notes shall be endorsed to reflect such part redemption.

#### 14. PROVISIONS RELATING TO MULTIPLE HOLDER OBLIGATION

Unless this Credit Linked Condition 14 (*Provisions Relating to Multiple Holder Obligation*) is specified as not applicable in the Applicable Pricing Supplement, then, notwithstanding anything to the contrary in the definition of "Restructuring" and related provisions, the occurrence of, agreement to, or announcement of, any of the events described in subparagraphs (a) to (e) of the definition of "Restructuring" shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.

**"Multiple Holder Obligation"** means an Obligation that (i) at the time of the event which constitutes a Restructuring Credit Event is held by more than three holders that are not Affiliates of each other and (ii) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to sixty-six and two-thirds is required to consent to the event which constitutes a Restructuring Credit Event, provided that any Obligation that is a Bond shall be deemed to satisfy the requirement in paragraph (ii) above.

#### 15. CALCULATION AGENT NOTICES.

Any notice to be delivered by the Calculation Agent to the Issuer, as applicable, pursuant to these Credit Linked Conditions may be given in writing (including by facsimile and/or email) and/or by telephone. Any such notice will be effective when given, regardless of the form in which it is delivered. A notice given by telephone will be deemed to have been delivered at the time the telephone conversation takes place. If the notice is delivered by telephone, a written confirmation will be executed and delivered confirming the substance of that notice within one Calculation Agent City Business Day of that notice. Failure to provide that written confirmation will not affect the effectiveness of that telephonic notice.

For the purposes of determining the day on which an event occurs for purposes of these Credit Linked Conditions, the Calculation Agent will determine the demarcation of days by reference to Greenwich Mean Time (or, if the Reference Entity has a material connection to Japan for these purposes, Tokyo time) irrespective of the time zone in which such event occurred. Any event occurring at midnight shall be deemed to have occurred immediately prior to midnight.

In addition, if a payment is not made by the Reference Entity on its due date or, as the case may be, on the final day of the relevant Grace Period, then such failure to make a payment shall be deemed to have occurred on such day prior to midnight Greenwich Mean Time (or, if the Reference Entity has a material connection to Japan for these purposes, Tokyo time), irrespective of the time zone of its place of payment.

#### 16. EARLY REDEMPTION OF REFERENCE OBLIGATION ONLY NOTES FOLLOWING A SUBSTITUTION EVENT

If the Notes are Reference Obligation Only Notes relating to a single Reference Entity and the event set out in paragraph (a) of the definition of "Substitution Event" above occurs with respect to the Reference Obligation, then:

- (a) interest (if any) shall cease to accrue on the Notes from and including the Interest Payment Date immediately preceding the relevant Substitution Event Date or, if no Interest Payment Date has occurred, no interest will accrue on the Credit Linked Notes; and
- (b) each Note will be redeemed by the Issuer at its relevant Reference Obligation Only Termination Amount specified in, or determined in the manner specified in, the



Applicable Pricing Supplement in the Specified Currency on the Maturity Date, which for the purposes of this Credit Linked Condition 16 (*Early Redemption of Reference Obligation Only Notes Following a Substitution Event*) shall be the day falling 5 (five) Business Days following the relevant Substitution Event Date.

#### 17. DC RESOLUTION ADJUSTMENT EVENTS

Where Auction Settlement is specified as the applicable Settlement Method in the Applicable Pricing Supplement, if following the publication of a DC Resolution (the "**Prior DC Resolution**"), a further DC Resolution (the relevant "**Further DC Resolution**") is published the effect of which would be to reverse all or part of the Prior DC Resolution or if any DC Resolution would reverse any determination made by the Calculation Agent and/or the occurrence of a Credit Event Determination Date, notwithstanding any other provisions of these Credit Linked Conditions the Calculation Agent may, in its sole and absolute discretion, make any adjustment(s) that the Calculation Agent determines is necessary or desirable to the General Conditions or these Credit Linked Conditions to reflect the publication of such Further DC Resolution or DC Resolution, including, without limitation, as a result of the impact or effect of such Further DC Resolution or DC Resolution on the Issuer's Hedging Arrangements (if any at the relevant time), or if none at the relevant time, the PSN Effective Date or the Delivery Date, as applicable. Following publication of such Further DC Resolution or DC Resolution, as the case may be, the Note shall continue on the same terms and conditions as applied immediately prior to the Prior DC Resolution or Calculation Agent determination subject to the provisions of this Credit Linked Condition 17 (*Dc Resolution Adjustment Events*), any necessary amendments arising from the Prior DC Resolution or Calculation Agent determination that were not amended or reversed in the Further DC Resolution or DC Resolution, as the case may be, or any necessary new amendments arising in the Further DC Resolution or DC Resolution.

#### 18. 2019 NARROWLY TAILORED CREDIT EVENT PROVISIONS

If "2019 Narrowly Tailored Credit Event Provisions" is specified as applicable in the Applicable Pricing Supplement, the following provisions shall apply for the purpose of the Notes.

(a) Outstanding Principal Balance

The definition of "Outstanding Principal Balance" in Credit Linked Condition 12 (*Credit Linked Definitions*) is hereby deleted in its entirety and replaced with the following:

**"Outstanding Principal Balance"** means the outstanding principal balance of an obligation which will be calculated as follows:

- (a) first, by determining, in respect of the obligation, the amount of the Reference Entity's principal payment obligations and, where applicable in accordance with the definition of Accrued Interest above, the Reference Entity's accrued but unpaid interest payment obligations (which, in the case of a Guarantee will be the lower of (i) the Outstanding Principal Balance (including accrued but unpaid interest, where applicable) of the Underlying Obligation (determined as if references to the Reference Entity were references to the Underlying Obligor) and (ii) the amount of the Fixed Cap, if any);

- (b) second, by subtracting all or any portion of such amount which, pursuant to the terms of the obligation, (i) is subject to any Prohibited Action, or (ii) may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of (A) payment or (B) a Permitted Contingency) (the amount determined in accordance with paragraph (a) above) less any amounts subtracted in accordance with this paragraph (b), the "**Non-Contingent Amount**"; and
- (c) third, by determining the Quantum of the Claim, which shall then constitute the Outstanding Principal Balance,

in each case, determined:

- (i) unless otherwise specified, in accordance with the terms of the obligation in effect on either (A) (1) the relevant PSN Effective Date (or if the terms of the obligation are amended after such date but on or prior to the Delivery Date, the Delivery Date) or (2) the relevant VSN Effective Date (or if the terms of the obligation are amended after such date but on or prior to the first Valuation Date, the first Valuation Date), as applicable, or (B) the relevant Valuation Date; and
- (ii) with respect to the Quantum of the Claim only, in accordance with any applicable laws (insofar as such laws reduce or discount the size of the claim to reflect the original issue price or accrued value of the obligation).

For the purposes of paragraph (ii) above, "applicable laws" shall include any bankruptcy or insolvency law or other law affecting creditors' rights to which the relevant obligation is, or may become, subject.

If "Fallback Discounting" is specified as applicable in the Applicable Pricing Supplement, then notwithstanding the above, if (i) the Outstanding Principal Balance of an obligation is not reduced or discounted under paragraph (ii) above, (ii) that obligation is either a Bond that has an issue price less than ninety-five per cent. of the principal redemption amount or a Loan where the amount advanced is less than ninety-five per cent. of the principal repayment amount, and (iii) such Bond or Loan does not include provisions relating to the accretion over time of the amount which would be payable on an early redemption or repayment of such Bond or Loan that are customary for the applicable type of Bond or Loan as the case may be, then

the Outstanding Principal Balance of such Bond or Loan shall be the lesser of (a) the Non-Contingent Amount; and (b) an amount determined by straight line interpolation between the issue price of the Bond or the amount advanced under the Loan and the principal redemption amount or principal repayment amount, as applicable.

For the purposes of determining whether the issue price of a Bond or the amount advanced under a Loan is less than ninety-five per cent. of the principal redemption amount or principal repayment amount (as applicable) or, where applicable, for applying straight line interpolation:

- (x) where such Bond or Loan was issued as a result of an exchange offer, the issue price or amount advanced of the new Bond or Loan resulting from the exchange shall be deemed to be equal to the aggregate Outstanding Principal Balance of the original obligation(s) that were tendered or exchanged (the "Original Obligation(s)") at the time of such exchange (determined without regard to market or trading value of the Original Obligation(s)); and
- (y) in the case of a Bond or Loan that is fungible with a prior debt obligation previously issued by the Reference Entity, such Bond or Loan shall be treated as having the same issue price or amount advanced as the prior debt obligation.

In circumstances where a holder would have received more than one obligation in exchange for the Original Obligation(s), the Calculation Agent will determine the allocation of the aggregate Outstanding Principal Balance of the Original Obligation(s) amongst each of the resulting obligations for the purpose of determining the issue price or amount advanced of the relevant Bond or Loan. Such allocation will take into account the interest rate, maturity, level of subordination and other terms of the obligations that resulted from the exchange and shall be made by the Calculation Agent in accordance with the methodology (if any) determined by the relevant Credit Derivatives Determinations Committee or, if none, as determined by the Calculation Agent in its sole and absolute discretion in such manner and by reference to such source(s) as it determines appropriate."

(b) Failure to Pay

The definition of "Failure to Pay" in Credit Linked Condition 12 (*Credit Linked Definitions*) is hereby deleted in its entirety and replaced with the following:

**"Failure to Pay"** means, after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by the

Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure provided that, if an occurrence that would constitute a Failure to Pay (a) is a result of a redenomination that occurs as a result of action taken by a Governmental Authority which is of general application in the jurisdiction of such Governmental Authority and (b) a freely available market rate of conversion existed at the time of the redenomination, then such occurrence will be deemed not to constitute a Failure to Pay unless the redenomination itself constituted a reduction in the rate or amount of interest, principal or premium payable (as determined by reference to such freely available market rate of conversion) at the time of such redenomination. If "Credit Deterioration Requirement" is specified as applicable in the Applicable Pricing Supplement, then, notwithstanding the foregoing, it shall not constitute a Failure to Pay if such failure does not directly or indirectly either result from, or result in, a deterioration in the creditworthiness or financial condition of the Reference Entity, as determined by the Calculation Agent. In making such determination, the Calculation Agent may take into account the guidance note set out in paragraph 3 (Interpretive Guidance) of the ISDA 2019 Narrowly Tailored Credit Event Supplement to the 2014 ISDA Credit Derivatives Definitions (published on 15 July, 2019)."

**19. ADDITIONAL PROVISIONS FOR SENIOR NON-PREFERRED REFERENCE OBLIGATIONS**

If "Additional Provisions for Senior Non-Preferred Reference Obligations" is specified as applicable in the Applicable Pricing Supplement, the following provisions shall apply for the purpose of the Notes.

(a) Additional Definitions

The following additional definitions are hereby inserted in alphabetical order in Credit Linked Condition 12 (*Credit Linked Definitions*):

**""Senior Non-Preferred Obligation"** means any obligation of the Reference Entity which is Subordinated only to any unsubordinated Borrowed Money obligations of the Reference Entity but not further or otherwise, or which would be so Subordinated if any unsubordinated Borrowed Money obligations of the Reference Entity existed, and which ranks above Traditional Subordinated Obligations of the Reference Entity or which would so rank if any Traditional Subordinated Obligations of the Reference Entity existed.";

**""Tier 2 Subordinated Obligation"** means any obligation of the Reference Entity which meets the conditions set out in Article 63 of Regulation 575/2013 of the European Parliament and of the Council of 26 June 2013, as such Article may be amended or replaced from time to time (the "CRR") or which are (or were at any time)

otherwise eligible as a Tier 2 item in accordance with the CRR."; and

**""Traditional Subordinated Obligation"**

means each of:

- (a) Tier 2 Subordinated Obligations of the Reference Entity;
- (b) any obligations of the Reference Entity which rank or are expressed to rank *pari passu* with any Tier 2 Subordinated Obligations of the Reference Entity; and
- (c) any obligations of the Reference Entity which are Subordinated to the obligations thereto described in paragraphs (a) and (b) above."

(b) Amendments to Definitions

(i) Reference Obligation

The definition of "Reference Obligation" in Credit Linked Condition 12 (*Credit Linked Definitions*) is hereby amended by the addition of the following after the words "if any" in paragraph (a) thereof:

"provided that, irrespective of any Original Non-Standard Reference Obligation specified in the Applicable Pricing Supplement, if (i) a Senior Non-Preferred Level Standard Reference Obligation of the Reference Entity is specified on the SRO List, such Standard Reference Obligation shall be deemed to constitute the Reference Obligation, or (ii) no such Senior Non-Preferred Level Standard Reference Obligation of the Reference Entity is specified on the SRO List but such Standard Reference Obligation has previously been specified on the SRO List, there shall be deemed to be no Reference Obligation and such previously specified Senior Non-Preferred Level Standard Reference Obligation of the Reference Entity shall be deemed to constitute the Prior Reference Obligation"; and

(ii) Seniority Level

The definition of "Seniority Level" in Credit Linked Condition 12 (*Credit Linked Definitions*) is hereby deleted and replaced with the following:

**""Seniority Level"** means "Senior Non-Preferred Level".

(c) Subordinated Obligation

Each of a Senior-Non-Preferred Obligation and the Reference Obligation or Prior Reference Obligation, as applicable, shall constitute a Subordinated Obligation for the purposes of the Credit Linked Conditions.

(d) Further Subordinated Obligation

A Traditional Subordinated Obligation shall constitute a Further Subordinated Obligation for the purposes of the Credit Linked Conditions.

(e) Subordination

"Subordination" shall have the meaning ascribed to it in the definition of "Obligation" in Credit Linked Condition 12 (*Credit Linked Definitions*) and such term shall be applied in the assessment of any Obligation without regard to how the Obligation is described by the laws of any relevant jurisdiction, including any characterisation of the Obligation as senior or unsubordinated by the laws of any relevant jurisdiction.

## ANNEX 2

### ADDITIONAL TERMS AND CONDITIONS FOR EQUITY LINKED NOTES

The terms and conditions applicable to Equity Linked Notes shall comprise the Terms and Conditions of the Notes set out above (the **General Conditions**) and the Additional Terms and Conditions for Equity Linked set out below (the **Equity Linked Conditions**), in each case subject to completion and/or amendment in the Applicable Pricing Supplement. In the event of any inconsistency between the General Conditions and the Equity Linked Conditions, the provisions of the Equity Linked Conditions will prevail. In the event of any inconsistency between (i) the General Conditions and/or the Equity Linked Conditions and (ii) the Applicable Pricing Supplement, the Applicable Pricing Supplement shall prevail.

#### 1. EQUITY LINKED DEFINITIONS

In this Annex, unless inconsistent with the context or separately defined in the Applicable Pricing Supplement, the following expressions have the following meanings:

**Asset Transfer Notice Cut-Off Date** means as specified in the Applicable Pricing Supplement.

**Averaging Date** means each date specified as an Averaging Date in the Applicable Pricing Supplement or, if any such date is not a Scheduled Trading Day or a Scheduled Publishing Day, as applicable, the immediately following Scheduled Trading Day or Scheduled Publishing Day, as the case may be, unless, in the opinion of the Calculation Agent, any such day is a Disrupted Day. If any such day is a Disrupted Day:

- (a) if **Omission** is specified as applying in the Applicable Pricing Supplement, then such date will be deemed not to be an Averaging Date for the purposes of determining the Share Price of any relevant Share or the Value of any relevant Equity Index; provided that, if through the operation of this provision there would not be an Averaging Date, then the provisions of the definition of "Valuation Date" will apply for purposes of determining the relevant price of each relevant Share or the relevant Value of each relevant Equity Index on the final Averaging Date, as if such Averaging Date were a Valuation Date that was a Disrupted Day; or
- (b) if **Postponement** is specified as applying in the Applicable Pricing Supplement, then the provisions of the definition of "Valuation Date" will apply for the purposes of determining the Share Price of each relevant Share or the Value of any relevant Equity Index on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date; or
- (c) if **Modified Postponement** is specified as applying in the Applicable Pricing Supplement then:
  - (i) where the Equity Linked Notes relate to a single Share or a single Equity Index, the Averaging Date will be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Valuation Time on the eighth Scheduled Trading Day or Scheduled Publishing Date, as the case may be, immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date, then (A) that eighth Scheduled Trading Day or eighth Scheduled Publishing Date, as the case may be,

will be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day or eighth Scheduled Publishing Date, as the case may be, is already an Averaging Date), and (B) the Calculation Agent will determine the relevant price for the Share or the relevant value of the Index for that Averaging Date in accordance with sub-paragraph (a)(ii) of the definition of "Valuation Date" below; and

- (ii) where the Equity Linked Notes relate to a Basket of Shares or to a Basket of Equity Indices, the Averaging Date for each Share or each Equity Index, as the case may be, not affected by the occurrence of a Disrupted Day will be the originally designated Averaging Date (the **Scheduled Averaging Date**) and the Averaging Date for a Share or an Equity Index affected by the occurrence of a Disrupted Day will be the first succeeding Valid Date in relation to such Share or such Equity Index, as the case may be. If the first succeeding Valid Date in relation to such Share or such Index, as the case may be, has not occurred as of the Valuation Time on the eighth Scheduled Trading Day or eighth Scheduled Publishing Date, as the case may be, immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date, then (A) that eighth Scheduled Trading Day or eighth Scheduled Publishing Date, as the case may be, will be deemed the Averaging Date (irrespective of whether that eighth Scheduled Trading Day or eighth Scheduled Publishing Date, as the case may be, is already an Averaging Date) in relation to such Share or such Equity Index, as the case may be, and (B) the Calculation Agent will determine the relevant price for that Share or the relevant value or level of that Equity Index, as the case may be, for that Averaging Date in accordance with sub-paragraph (b)(ii) of the definition of "Valuation Date" below,
- (iii) For the purposes of these Equity Linked Conditions **Valid Date** means, in respect of a Share a Scheduled Trading Day that is not a Disrupted Day and, in respect of an Equity Index, a Scheduled Publishing Date that is not a Disrupted Day and, in either case, on which another Averaging Date does not or is deemed not to occur.

**Basket of Shares** means, subject to adjustment in accordance with these Equity Linked Conditions, a basket composed of Shares of more than one Share Company, as specified in the Applicable Pricing Supplement.

**Basket of Equity Indices** means, subject to adjustment in accordance with these Equity Linked Conditions, a basket composed of more than one Equity Index, all as specified in the Applicable Pricing Supplement.

**Component** means:

- (a) in respect of an Equity Index, each of the equity shares, securities, indices and derivative contracts that directly constitute the relevant Equity Index or that are directly referenced by the relevant Equity Index;
- (b) in respect of a Basket of Shares, each Share comprising the relevant Basket of Shares; and
- (c) in respect of a Basket of Indices, each of the Equity Indices comprising the Basket of Indices.



**Disrupted Day** means:

- (a) in respect of a Share, any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred;
- (b) in respect of an Equity Index, any Scheduled Publishing Day on which the Equity Index Sponsor fails to publish the Value of the Equity Index or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred; and
- (c) in respect of a Component which is an equity share, the provisions in (i) above will be applicable and in respect of a Component which is an index, the provisions in (ii) will be applicable.

**Early Closure** means, in respect of a Share or a Component which is an equity share or a Component which is a derivative contract, the closure on any Exchange Business Day of any relevant Exchange or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day, and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Valuation Time, the Knock-in Valuation Time or the Knock-out Valuation Time, as the case may be, on such Exchange Business Day.

**Equity Linked Note** includes a Share Linked Note, a Share Basket Linked Note, an Equity Index Linked Note and an Equity Index Basket Linked Note.

**Equity Index** means in respect of an Equity Index Linked Note, subject to adjustment in accordance with these Equity Linked Conditions, the index, subject as provided in Equity Linked Condition 4 (*Equity Index Adjustment*), specified as such in the Applicable Pricing Supplement and related expressions are to be construed accordingly.

**Equity Index Basket Linked Note** means an Equity Linked Note which return is linked to a Basket of Equity Indices in the relative proportions specified in the Applicable Pricing Supplement.

**Equity Index Linked Note** means an Equity Linked Note which return is linked to an Equity Index as specified in the relevant Applicable Pricing Supplement.

**Equity Index Sponsor** means in respect of an Equity Index the person or entity that is primarily responsible for setting and reviewing the rules and procedures for, and the methods of calculation and adjustment (if any) of such Equity Index and announces or publishes the Value of such Equity Index regularly during each Scheduled Publishing Day and if there is no such person or entity, then the person or entity that is primarily responsible for calculating, maintaining, announcing or publishing the Value of such Equity Index.

**Exchange** means, in relation to a Share or a Component which is an equity share, each exchange or quotation system specified as such for such Share in the Applicable Pricing Supplement or, in respect of a Component which is an equity share, each exchange or quotation system on which that Component is principally traded, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the Share or the relevant Component has temporarily relocated (provided that the Calculation Agent has

determined that there is comparable liquidity relative to such Share or such Component on such temporary substitute exchange or quotation system as on the original Exchange).

**Exchange Business Day** means any Scheduled Trading Day on which each Exchange and each Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time.

**Exchange Disruption** means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, any Share or any Component which is an equity share on the Exchange or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Share or any Component which is a derivative contract on any relevant Related Exchange.

**Final Observation Date** means, in respect of a Share or an Equity Index, the date specified as such in the Applicable Pricing Supplement, being the date on which the Issuer will observe the final price of the Share or the final Value of the Equity Index, which date may be prior to the Maturity Date of the relevant Equity Linked Note.

**Initial Observation Date** means, in respect of a Share or an Equity Index, the date specified as such in the Applicable Pricing Supplement, being the date on which the Issuer will observe the initial price of the Share or the initial Value of the Equity Index, which date may be prior to the Trade Date or prior to the Issue Date of the relevant Equity Linked Note.

**Observation Cut-Off Date** means, in respect of a Scheduled Observation Date, the earlier of (i) the eighth Scheduled Trading Day or Scheduled Publishing Day, as applicable, immediately following the relevant Scheduled Observation Date, and (ii) the second Business Day immediately preceding the date of payment or delivery of any amount calculated in respect of such Observation Date pursuant to the definition of Observation Date or, if such Business Day is not a Scheduled Trading Day or a Scheduled Publishing Day, as applicable, the immediately preceding Scheduled Trading Day or Scheduled Publishing Day, as the case may be.

**Observation Date** means each date specified as such in the Applicable Pricing Supplement, or if such date is not a Scheduled Trading Day or Scheduled Publishing Day, as applicable, the first Scheduled Trading Day or Scheduled Publishing Day, as the case may be, thereafter unless, in either case, in the opinion of the Calculation Agent, such day is a Disrupted Day. If any such day is a Disrupted Day, then:

- (a) where the Equity Linked Note relates to a single Share, that Observation Date will be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the Scheduled Trading Days immediately following the Scheduled Observation Date up to and including the Observation Cut-Off Date is a Disrupted Day. In that case, (i) the Observation Cut-Off Date will be deemed that Observation Date (notwithstanding the fact that such day is a Disrupted Day) and (ii) the Calculation Agent will determine the relevant Share Price in the manner set out in the Applicable Pricing Supplement or, if not set out or if not practicable, determine the relevant Share Price in accordance with its good faith estimate of the relevant price as of the Valuation Time on the Observation Cut-Off Date; or
- (b) where the Equity Linked Note relates to a Basket of Shares, that Observation Date for each Component not affected by the occurrence of a Disrupted Day will be the Scheduled Observation Date and that Observation Date for each Component affected (each an **Affected Component**) by the occurrence of a Disrupted Day will be the first

succeeding Scheduled Trading Day that is not a Disrupted Day relating to the Affected Component, unless each of the Scheduled Trading Days immediately following the Scheduled Observation Date up to and including the Observation Cut-Off Date is a Disrupted Day relating to the Affected Component. In that case, (i) the Observation Cut-Off Date will be deemed that Observation Date for the Affected Component (notwithstanding the fact that such day is a Disrupted Day) and (ii) the Calculation Agent will determine the relevant price or value of the Affected Component using, in relation to the Affected Component, a price determined in the manner set out in the Applicable Pricing Supplement or, if not set out or if not practicable, using its good faith estimate of the price for the Affected Component as of the Valuation Time on the Observation Cut-Off Date, and otherwise in accordance with the above provisions.

- (c) where the Equity Linked Note relates to a single Equity Index, that Observation Date will be the first succeeding Scheduled Publishing Day that is not a Disrupted Day, unless each of the Scheduled Publishing Days immediately following the Scheduled Observation Date up to and including the Observation Cut-Off Date is a Disrupted Day. In that case, (i) the Observation Cut-Off Date will be deemed that Observation Date (notwithstanding the fact that such day is a Disrupted Day) and (ii) the Calculation Agent will determine the relevant Value of the Equity Index in the manner set out in the Applicable Pricing Supplement or, if not set out or if not practicable, determine the relevant Value of the Index in accordance with its good faith estimate of the relevant price as of the Valuation Time on the Observation Cut-Off Date; or
- (d) where the Equity Linked Notes relate to a Basket of Equity Indices, that Observation Date for each Equity Index not affected by the occurrence of a Disrupted Day will be the Scheduled Observation Date and that Observation Date for each Equity Index affected (each an **Affected Index**) by the occurrence of a Disrupted Day will be the first succeeding Scheduled Publishing Day that is not a Disrupted Day relating to the Affected Share, unless each of the Scheduled Publishing Days immediately following the Scheduled Observation Date up to and including the Observation Cut-Off Date is a Disrupted Day relating to the Affected Index. In that case, (i) the Observation Cut-Off Date will be deemed that Observation Date for the Affected Index (notwithstanding the fact that such day is a Disrupted Day) and (ii) the Calculation Agent will determine the relevant Value of the Equity Index using, in relation to the Affected Index, an index level determined in the manner set out in the Applicable Pricing Supplement or, if not set out or if not practicable, using its good faith estimate of the index level for the Affected Index as of the Valuation Time on the Observation Cut-Off Date, and otherwise in accordance with the above provisions.

**Observation Period** means the period or periods specified as such in the Applicable Pricing Supplement.

**Related Exchange** means, in relation to a Share or an Equity Index, each exchange or quotation system specified as such for such Share or such Equity Index, as the case may be, in the Applicable Pricing Supplement, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures or options contracts relating to such Share or Equity Index, as the case may be, has temporarily relocated (provided that the Calculation Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Share or Equity Index, as the case may be, on such temporary substitute exchange or quotation system as on the original Related Exchange), provided, however, that where "All Exchanges" is specified as the Related Exchange in the Applicable Pricing Supplement, **Related Exchange** means each exchange or quotation system where trading has a material effect (as determined by the Calculation Agent) on the overall

market for futures or options contracts relating to such Share or Equity Index, as the case may be.

**Relevant Asset** means as specified in the Applicable Pricing Supplement.

**Scheduled Closing Time** means, in respect of an Exchange or Related Exchange and a Scheduled Trading Day or a Scheduled Publishing Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day or such Scheduled Publishing Day, without regard to after hours or any other trading outside of the regular trading session hours.

**Scheduled Observation Date** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been an Observation Date.

**Scheduled Trading Day** means, in respect of a Share or a Component which is an equity share or an equity share derivative instrument, any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading sessions.

**Scheduled Publishing Day** means, in respect of an Equity Index or a Component which is an index, any day on which the relevant Equity Index Sponsor is scheduled to publish the Value of the relevant Equity Index or Component.

**Scheduled Valuation Date** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

**Shares** and **Share** mean, subject to adjustment in accordance with these Equity Linked Conditions, the shares or a share, subject as provided in Equity Linked Condition 4 (*Potential Adjustment Events, Merger Event, Tender Offer, Delisting, Nationalisation and Insolvency*), specified as such in the Applicable Pricing Supplement and related expressions are to be construed accordingly.

**Share Basket Linked Note** means a, Equity Linked Note which return is linked to a Basket of Shares in the relative proportions specified in the Applicable Pricing Supplement.

**Share Closing Price** means, in respect of a Share and a Component which is an equity share and subject to these Equity Linked Conditions and to "Valuation Date", "Knock-in Determination Day", "Knock-out Determination Day", "Averaging Date" or "Observation Date", as the case may be, an amount equal to the official closing price of such Share or Component, as the case may be, quoted on the relevant Exchange as determined by the Calculation Agent on (A) if Averaging is not specified in the Applicable Pricing Supplement, the Valuation Date, or the relevant Knock-in Determination Day, Knock-out Determination Day or Observation Date, as the case may be, or (B) if Averaging is specified in the Applicable Pricing Supplement, an Averaging Date, and if Exchange Rate is specified as applicable in the Applicable Pricing Supplement, such price as converted into the Specified Currency at the Exchange Rate.

**Share Company** means, in respect of a Share or a Component which is an equity share, as the case may be, the company that has issued such Share or such Component, as the case may be.

**Share Linked Note** means an Equity Linked Note which return is linked to one or more Shares issued by the same Share Company.

**Share Price** means, in respect of a Share or a Component which is an equity share and a time on a Scheduled Trading Day and subject to these Equity Linked Conditions, the price of such

Share or Component, as the case may be, at such time on such day as determined by the Calculation Agent.

**Trading Disruption** means any suspension of or limitation imposed on trading by the relevant Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the relevant Exchange or Related Exchange or otherwise (i) relating to the Share or a Component which is a share on the Exchange or (ii) in futures or options contracts relating to the Share or the relevant Component on any relevant Related Exchange.

**Valuation Cut-Off Date** means, in respect of a Scheduled Valuation Date, the earlier of (i) the eighth Scheduled Trading Day immediately following the relevant Scheduled Valuation Date and (ii) the second Business Day immediately preceding the date of payment or delivery of any amount calculated pursuant to the definition of Valuation Date or, if such Business Day is not a Scheduled Trading Day, the immediately preceding Scheduled Trading Day.

**Valuation Date** means in the case of the Equity Linked Notes, each Valuation Date specified in the Applicable Pricing Supplement or if that date is not a Scheduled Trading Day or a Scheduled Publishing Day, as applicable, the first Scheduled Trading Day or Scheduled Publishing Day, as the case may be, thereafter unless, in the opinion of the Calculation Agent such day is a Disrupted Day. If such day is a Disrupted Day, then:

- (a) where the Equity Linked Notes relate to a single Share or an Equity Index, the Valuation Date will be the first succeeding Scheduled Trading Day or Scheduled Publishing Day, as the case may be, that is not a Disrupted Day, unless each of the Scheduled Trading Days or Scheduled Publishing Days, as the case may be, up to and including the Valuation Cut-Off Date is a Disrupted Day. In that case, (i) the Valuation Cut-Off Date will be deemed the Valuation Date (notwithstanding the fact that such day is a Disrupted Day) and (ii) the Calculation Agent will determine the relevant price of the Share or the Value of the Equity Index in the manner set out in the Applicable Pricing Supplement or, if not set out or if not practicable, determine the relevant price of the Share or the relevant Value of the Equity Index in accordance with its good faith estimate of the relevant price or Value as of the Valuation Time on the Valuation Cut-Off Date; or
- (b) where the Equity Linked Notes relate to a Basket of Shares or a Basket of Equity Indices, the Valuation Date for each Share or each Equity Index not affected by the occurrence of a Disrupted Day will be the Scheduled Valuation Date or Scheduled Publishing Day, as the case may be, and the Valuation Date for each Share affected (each an **Affected Share**) or each Equity Index affected (each an **Affected Index**) by the occurrence of a Disrupted Day will be the first succeeding Scheduled Trading Day or Scheduled Publishing Day, as the case may be, that is not a Disrupted Day relating to the Affected Share or the Affected Index, as the case may be, unless each of the Scheduled Trading Days or Scheduled Publishing Days, as the case may be, immediately following the Scheduled Valuation Date up to and including the Valuation Cut-Off Date is a Disrupted Day relating to the Affected Share or the Affected Index, as the case may be. In that case, (i) the Valuation Cut-Off Date will be deemed the Valuation Date for the Affected Share or the Affected Index (notwithstanding the fact that such day is a Disrupted Day) and (ii) the Calculation Agent will determine the relevant price of the Affected Share or the relevant Value of the Affected Index, as the case may be, using, in relation to the Affected Share, a price or, in relation to the Affected Index, a Value, as the case may be, determined in the manner set out in the Applicable Pricing Supplement or, if not set out or if not practicable, using its good faith estimate of the price for the Affected Share or the Value for the Affected Index, as the case may be, as of the Valuation Time on the Valuation Cut-Off Date, and otherwise in accordance with the above provisions.

**Valuation Time** means the Valuation Time specified in the Applicable Pricing Supplement or, if no Valuation Time is specified in respect of a Share or a Component which is an equity share, the Scheduled Closing Time on the relevant Exchange or in respect of an Equity Index or a Component which is an index, the Scheduled Publishing Time, on the relevant Valuation Date, Observation Date or Averaging Date, as the case may be, in relation to each Share or Component which is an equity share or Equity Index of Component which is an index, as the case may be, to be valued. If in respect of a Share or a Component which is an equity share the relevant Exchange closes prior to its Scheduled Closing Time and the specified Valuation Time is after the actual closing time for its regular trading session, then the Valuation Time will be such actual closing time or, where the Share Price or the price of the Component is to be determined during any period, each relevant time at which the Share Price or the price of the Component, as the case may be, is so determined. If in respect of an Equity Index or a Component which is an index the Equity Index Sponsor publishes the Value of the Equity Index or the Component, as the case may be, prior to the Scheduled Publishing Time and the specified Valuation Time is after the actual publishing time, then the Valuation Time will be such actual publishing time or, where the Value of the Equity Index or the Component which is an index is to be determined during any period, each relevant time at which the Value of the Equity Index or such Component, as the case may be, is so determined.

**Value** means, in respect of an Equity Index or a Component which is an index, a level, number, price or similar variable in respect of the Equity Index referenced in the Applicable Pricing Supplement of the relevant Equity Linked Note or in respect of the Component referenced in the relevant Equity Index, as the case may be.

## 2. MARKET DISRUPTION

**Market Disruption Event** means:

(A) in relation to a Share or a Component which is an equity share, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one-hour period that ends at the Valuation Time, Knock-in Valuation Time or Knock-out Valuation Time, as the case may be, for such Share or such Component or (iii) an Early Closure; and

(B) in relation to an Equity Index or a Component which is an index, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Calculation Agent determines is material, at any time during the one-hour period that ends at the Valuation Time, Knock-in Valuation Time or Knock-out Valuation Time, as the case may be, for such Equity Index or such Component or (iii) an Early Closure, and in respect of a Component of an Equity Index, the aggregate of all Component Securities in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the relevant Equity Index. For the purposes of determining whether a Market Disruption Event in respect of an Equity Index has occurred or exists at any time, if a Market Disruption Event occurs in respect of a Component then the relevant percentage contribution of that Component to the level of such Equity Index will be based on a comparison of (x) the portion of the Value of the Equity Index attributable to that Component and (y) the overall Value of the Equity Index, in each case immediately before the occurrence of such Market Disruption Event.

## 3. CORRECTION TO A SHARE PRICE OR TO THE VALUE OF AN EQUITY INDEX

If the Share Price or Value of an Equity Index published on any Valuation Date, Observation Date, Averaging Date or any other date for Share or Equity Index valuation or observation, as the case may be, by the relevant Exchange or Equity Index Sponsor and which is utilised

for any calculation or determination made for the purposes of the Equity Linked Notes (a **Relevant Calculation**) is subsequently corrected and the correction (the **Corrected Share Price** or **Corrected Value of the Equity Index**) is published by the relevant Exchange or Equity Index Sponsor no later than 2 (two) Business Days prior to the date of payment of any amount to be calculated by reference to the Relevant Calculation, then such Corrected Share Price or Corrected Value of the Equity Index, as the case may be, will be deemed to be the relevant Share Closing Price or Value of the Equity Index on such Averaging Date, Observation Date, Valuation Date or other relevant date, as the case may be, and the Calculation Agent will use such Corrected Share Price or Corrected Value of the Equity Index in determining the relevant price of the Share or relevant Value of the Equity Index.

#### 4. EQUITY INDEX ADJUSTMENT

- 4.1 If, in respect of an Equity Index Linked Note or an Equity Index Basket Linked Note, (1) on or prior to a Valuation Date the Equity Index Sponsor announces that it will make a material change in the formula for or the method of calculating the Equity Index or in any other way materially modifies the Equity Index (other than a modification prescribed in that formula or method to maintain the Equity Index in the event of changes in Component Securities and capitalisation and other routine events) (an **Equity Index Modification**) or permanently cancels the Equity Index and no Successor Equity Index exists (an **Equity Index Cancellation**) or (2) on the relevant Valuation Date the Equity Index Sponsor fails to calculate, announce or publish the Value of the Equity Index (an **Equity Index Disruption** and together with an Equity Index Modification and an Equity Index Cancellation, each an **Equity Index Adjustment Event**), then depending on the provisions of the agreements of the Issuer governing the Issuer's Hedge Positions, (A) the Issuer shall determine if the relevant Equity Index Adjustment Event has or may have a material effect on the Equity Index Linked Note or Equity Index Basket Linked Note and, if so, the Issuer will calculate the relevant Value of the Equity Index using, in lieu of a published level for that Equity Index, the level for that Equity Index as at the relevant Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating that Equity Index last in effect prior to the change, failure or cancellation, but using only those Component Securities comprising the relevant Equity Index immediately prior to the relevant Equity Index Adjustment Event, or (B) if (i) the agreements governing the Issuer's Hedge Positions are terminated and the relevant Hedge Positions are closed-out, the Issuer may determine and give notice to the Noteholders that the Notes shall be redeemed on a date determined by the Calculation Agent, in which event the Issuer shall redeem the Notes and cause to be paid to each Noteholder in respect of each Note the Early Redemption Amount adjusted to account for all costs incurred by the Issuer in connection with such early redemption or settlement including, without limitation, any costs to the Issuer associated with unwinding any funding relating to the Notes, any costs associated with unwinding any related agreements of the Issuer governing the Issuer's Hedge Positions and all other expenses related thereto, as determined by the Calculation Agent, or (ii) if the relevant agreements are not terminated and the relevant Hedge Positions are not closed-out, then the relevant affected Equity Index Linked Notes or Equity Index Basket Linked Notes will continue on the terms and subject to the conditions, formulas and calculation methods in effect as of any relevant time at which calculations may be made by the hedge counterparty of the Issuer or by the Issuer, acting at all times in a commercially reasonable manner.

**5. POTENTIAL ADJUSTMENT EVENTS, MERGER EVENT, TENDER OFFER, DELISTING, NATIONALISATION AND INSOLVENCY IN RESPECT OF SHARES**

5.1 **Potential Adjustment Event** means in respect of Shares or Component Securities in a Basket of Shares any of the following:

- (a) a subdivision, consolidation or reclassification of the relevant Shares (unless resulting in a Merger Event or a Tender Offer) or a free distribution or dividend of any such Shares to existing holders of such Shares by way of bonus, capitalisation or similar issue;
- (b) a distribution, issue or dividend to existing holders of the relevant Shares of (A) such Shares or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Share Company equally or proportionately with such payments to holders of such Shares or (C) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Share Company as a result of a spin-off or other similar transaction or (D) any other type of securities, rights or warrants or other assets, in any case for payment (in cash or otherwise) at less than the prevailing market price as determined by the Calculation Agent;
- (c) an amount paid by the Share Company or a free distribution of assets by the Share Company which the Calculation Agent determines to be an extraordinary dividend;
- (d) a call by a Share Company in respect of relevant Shares that are not fully paid;
- (e) a repurchase by the Share Company or any of its subsidiaries, as the case may be, of relevant Shares whether out of profits or capital and whether the consideration for such acquisition is cash, securities or otherwise; or
- (f) in respect of a Share Company, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of such Share Company pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides upon the occurrence of certain events for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Calculation Agent, provided that any adjustment effected as a result of such an event will be readjusted upon any redemption of such rights; or
- (g) any other event having, in the reasonable opinion of the Calculation Agent, a diluting or concentrative effect on the theoretical value of the relevant Shares.

Following the declaration by the Share Company of the terms of any Potential Adjustment Event, the Calculation Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the Shares or the Component Securities and, if so, will (i) make the corresponding adjustment(s), if any, to any one or more of the terms of the Terms and Conditions and/or the Applicable Pricing Supplement as the Calculation Agent determines appropriate to account for that diluting or concentrative effect (provided that no adjustments will be made to account solely for changes in volatility, expected dividends, securities lending rate or liquidity relative to the relevant Share or Component, as the case may be) and (ii)



determine the effective date(s) of such adjustment(s). The Calculation Agent may, but need not, determine the appropriate adjustment by reference to the adjustment(s) in respect of such Potential Adjustment Event made by a Related Exchange to futures contracts and options contracts in respect of the relevant Shares or Component Securities, as the case may be, traded on that Related Exchange.

5.2 **Delisting** means, in respect of any relevant Shares or Component Securities of a Basket of Shares, the Exchange announces that pursuant to the rules of such Exchange, such Shares or Component Securities, as the case may be, cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or a Tender Offer) and are not immediately re-listed, re-traded or re-quoted on (A) where the Exchange is located in the United States of America, any of the New York Stock Exchange, the American Stock Exchange or the NASDAQ National Market System (or their respective successors); (B) where the Exchange is within the European Union and the United Kingdom, in any member state of the European Union and the United Kingdom, or (C) an exchange or quotation system located in the same country as the Exchange.

**Insolvency** means, in respect of a Share or a Component of a Basket of Shares, that by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting the Share Company (A) all the Shares of that Share Company are required to be transferred to a trustee, liquidator, curator or other similar regulated official or (B) holders of the Shares of that Share Company become legally prohibited from transferring the Shares to other holders or at all.

**Merger Date** means the closing date of a Merger Event or, where a closing date cannot be determined under the local law applicable to such Merger Event, such other date as determined by the Calculation Agent.

**Merger Event** means, in respect of any relevant Shares or a Component of a Basket of Shares, any (A) reclassification or change of such Shares that results in a transfer of or an irrevocable commitment to transfer all of such Shares outstanding to another entity or person, (B) consolidation, amalgamation, merger or binding share exchange of the Share Company with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Share Company is the continuing entity and which does not result in a reclassification or change of all of such Shares outstanding), (C) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% (one hundred per cent.) of the outstanding Shares of the Share Company that results in a transfer of or an irrevocable commitment to transfer all such Shares (other than such Shares owned or controlled by such other entity or person), or (D) consolidation, amalgamation, merger or binding share exchange of the Share Company or its subsidiaries with or into another entity in which the Share Company is the continuing entity and which does not result in a reclassification or change of all such Shares outstanding but results in the outstanding Shares (other than Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% (fifty per cent.) of the outstanding Shares immediately following such event, in each case if the Merger Date is on or before the last occurring Valuation Date, Observation Date, or where Averaging is specified in the Applicable Pricing Supplement, the final Averaging Date or any other relevant date for Share valuation or observation, as the case may be, in respect of the relevant Share.

**Nationalisation** means, in respect of a Share or a Component of a Basket of Shares, that all the Shares or all or substantially all the assets of the Share Company are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof.

**Tender Offer** means, in respect of a Share or a Component of a Basket of Shares, a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% (ten per cent.) and less than 100% (one hundred per cent.) of the outstanding voting shares of the Share Company, as determined by the Calculation Agent, based upon the making of filings with governmental or self-regulatory agencies or such other information as the Calculation Agent deems relevant.

**Tender Offer Date** means, in respect of a Tender Offer, the date on which voting shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained (as determined by the Calculation Agent).

If (x) a Merger Event, a Delisting, a Nationalisation, Tender Offer or an Insolvency occurs in relation to a Share, a Component of a Basket of Shares or Share Company, as the case may be, the Issuer in its sole and absolute discretion may take the action described in (a), (b), (c), (d) or (e) below:

- (a) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any terms of the Terms and Conditions and/or the Applicable Pricing Supplement to account for the economic effect of Delisting, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, and determine the effective date of that adjustment. The Calculation Agent may (but need not) determine the appropriate adjustment by reference to the adjustment in respect of the Merger Event, Tender Offer, Delisting, Nationalisation or Insolvency made by any Related Exchange to futures contracts and/or options contracts in relation to the relevant Shares traded on that Related Exchange and the relevant adjustments may in the case of adjustments following a Merger Event or Tender Offer include, without limitation, adjustments to account for changes in volatility, expected dividends, securities lending rate or liquidity relevant to the affected Shares; or
- (b) where the Equity Linked Notes relate to a Basket of Shares on giving notice to the Noteholders in accordance with General Condition 13 (*Notices*), redeem each Note in part. If a Note is so redeemed in part, the portion (the **Partial Amount**) of each such Note representing the affected Share(s) will be redeemed and the Issuer will (x) pay to each Noteholder in respect of each Note held by such Noteholder an amount equal to the fair market value of the Partial Amount, taking into account the Merger Event, Tender Offer, Delisting, Nationalisation or Insolvency, as the case may be, less the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent; and (y) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any of the terms of the Terms and Conditions and/or the Applicable Pricing Supplement to account for such redemption in part. Following such partial redemption and for the avoidance of doubt, the remaining part of each such Note after partial redemption and adjustment will remain outstanding with full force and effect. Payments will be made in such manner as shall be notified to the Noteholders in accordance with General Condition 13 (*Notices*); or
- (c) give notice to the Noteholders in accordance with General Condition 13 (*Notices*) and redeem all, but not some, of the Equity Linked Notes, each Note to be redeemed at the Early Redemption Amount; or

- (d) following any adjustment to the settlement terms of futures contracts and/or options contracts relating to the Shares traded on a Related Exchange as the Issuer in its sole discretion may select, require the Calculation Agent to make a corresponding adjustment to any one or more of the terms of the Terms and Conditions and/or the Applicable Pricing Supplement which adjustment will be effective as of the date determined by the Calculation Agent to be the effective date of the corresponding adjustment made by the Related Exchange. If at the relevant time no futures contracts and/or options contracts relating to the Shares are traded on the Related Exchange, the Calculation Agent may make such adjustment, if any, to any one or more of the terms of the Terms and Conditions and/or the Applicable Pricing Supplement as the Calculation Agent determines appropriate, with reference to the rules and precedents (if any) set by the Related Exchange to account for the Merger Event, Tender Offer, Delisting, Nationalisation or Insolvency, as the case may be, that in the determination of the Calculation Agent would have given rise to an adjustment by the Related Exchange if such futures contracts and/or options contracts were so traded; or
- (e) where the Equity Linked Notes relate to a Basket of Shares and if the Applicable Pricing Supplement provides that "Share Substitution" is applicable, then on or after the relevant Merger Date, Tender Offer Date, or the date of the Nationalisation, Insolvency or Delisting (as the case may be), the Calculation Agent may adjust the Basket of Shares to include a share (the **Substitute Shares**) selected by it in accordance with the criteria for share selection (**Share Substitution Criteria**) set out in the Applicable Pricing Supplement in place of the Share(s) (the **Affected Share(s)**) which are affected by such Merger Event, Tender Offer, Nationalisation, Insolvency or Delisting and the Substitute Shares will be deemed to be "Shares" and the relevant issuer of such shares, a "Share Company" for the purposes of the Notes, and the Calculation Agent will make such adjustment, if any, to any of the terms of the Terms and Conditions and/or the Applicable Pricing Supplement as the Calculation Agent determines appropriate.

Upon the occurrence of a Merger Event, Delisting, Nationalisation, Insolvency or, if applicable, Tender Offer, the Issuer will give notice as soon as practicable to the Noteholders in accordance with General Condition 13 (Notices), stating the occurrence of the Delisting, Merger Event, Tender Offer, Nationalisation or Insolvency, as the case may be, giving details thereof and the action proposed to be taken in relation thereto, provided that any failure to give, or non-receipt of, such notice will not affect the validity of any such Merger Event, Tender Offer, Delisting, Nationalisation or Insolvency, as the case may be, and/or any action taken by the Issuer in relation thereto.

## 6. ADDITIONAL DISRUPTION EVENTS

6.1 **Additional Disruption Event** means any of Change in Law, Hedging Disruption, Increased Cost of Hedging, Increased Cost of Stock Borrow, Loss of Stock Borrow and/or Insolvency Filing:

- (a) **Change in Law** means that, on or after the Trade Date (as specified in the Applicable Pricing Supplement) (i) due to the adoption of, or any change in, any relevant applicable law or regulation (including, without limitation, any tax law), or (ii) due to the promulgation of, or any change in the interpretation by any court, tribunal, government or regulatory authority with competent jurisdiction of any relevant applicable law or regulation (including any action taken by any taxing authority), and/or (iii) due to the public statement or action

by any court, tribunal, government or regulatory authority (including any taxing authority) or any official or representative of any court, tribunal, governmental or regulatory authority (including any taxing authority), in each case acting in an official capacity, the Calculation Agent determines that (A) it has become illegal or unlawful to hold, acquire, establish, re-establish, maintain, unwind or dispose of any relevant Hedge Position relating to an Equity Linked Note, or (B) the Issuer has suffered, or there is a reasonable likelihood that the Issuer will suffer a material penalty, injunction, non-financial burden, reputational harm or other material adverse consequences in connection with holding, acquiring, establishing, re-establishing, maintaining, unwinding or disposing of any relevant Hedge Position relating to an Equity Linked Note, or (C) the Issuer will incur a materially increased cost in performing its obligations in relation to an Equity Linked Note (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer and/or any of its Affiliates).

- (b) **Hedging Disruption** means that the Issuer and/or any of its Affiliates or agents is unable, after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary for its Hedge Positions to hedge the equity, funding or other price risk of the Issuer issuing and performing its obligations with respect to the Equity Linked Notes, or (ii) realise, recover or remit the proceeds of any such transaction(s) or asset(s) or Hedge Positions.
- (c) **Hedge Positions** means the Shares, Component Securities, derivative contracts, funding instruments and other financial instruments, assets and contracts that the Issuer deems necessary to have acquired or entered into, as the case may be, in order to hedge the equity, funding or other price risk of entering into and performing its obligations with respect to the Equity Linked Notes.
- (d) **Increased Cost of Hedging** means that the Issuer and/or any of its Affiliates or agents would incur a materially increased (as compared with circumstances existing on the Trade Date amount of tax, duty, expense or fee (other than brokerage commissions) to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary as Hedge Positions to hedge the equity, funding or other price risk of the Issuer issuing and performing its obligations with respect to such Equity Linked Notes, or (ii) realise, recover or remit the proceeds of any such transaction(s) or asset(s) or Hedge Positions, provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates or agents will not be deemed an Increased Cost of Hedging.
- (e) **Increased Cost of Stock Borrow** means that the Issuer and/or any of its Affiliates or agents would incur a rate to borrow Shares or other equity assets that is greater than the Initial Stock Loan Rate.
- (f) **Initial Stock Loan Rate** means, in respect of a Share or another equity security which the Issuer requires as hedge position, the initial stock loan rate incurred by the Issuer in establishing its Hedge Positions for purposes of hedging its obligations in respect of the relevant Equity Linked Notes.
- (g) **Insolvency Filing** means, in respect of a Share or a Component of a Basket of Shares, that a Share Company institutes or has instituted against it by a regulator,

supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, or it consents to a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official or it consents to such a petition, provided that proceedings instituted or petitions presented by creditors and not consented to by the Share Company will not be deemed an Insolvency Filing.

- (h) **Loss of Stock Borrow** means that the Issuer and/or any of its Affiliates or agents is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) a number of Shares or equity securities which the Issuer in its discretion determines to be required as Hedge Positions at a rate equal to or less than the Maximum Stock Loan Rate.
- (i) **Maximum Stock Loan Rate** means in respect of a Share or an equity security which the Issuer requires as a Hedge Position, the maximum stock loan rate which the Issuer determined at the Trade Date and on which the Issuer based the pricing of the relevant Equity Linked Notes on the Trade Date.

6.2 If an Additional Disruption Event occurs, the Issuer in its sole and absolute discretion may take the action described in (a) or (b) below:

- (a) require the Calculation Agent to determine the appropriate adjustment, if any, to be made to any of the terms of the Terms and Conditions and/or the Applicable Pricing Supplement to account for the Additional Disruption Event and determine the effective date of that adjustment; or
- (b) give notice to Noteholders in accordance with General Condition 3 (Notices) and redeem all, but not some only, of the Notes, each Note being redeemed at the Early Redemption Amount.

Upon the occurrence of an Additional Disruption Event, the Issuer will give notice as soon as practicable to the Holders of the affected Equity Linked Notes in accordance with General Condition 13 (Notices), stating the occurrence of the relevant Additional Disruption Event giving details thereof and the action proposed to be taken in relation thereto provided that any failure to give, or non-receipt of, such notice will not affect the validity of the Additional Disruption Event or the action taken by the Issuer in relation thereto.

## 7. **KNOCK-IN EVENT, KNOCK-OUT EVENT**

If "Knock-in Event" is specified as applicable in the Applicable Pricing Supplement, then the payment and/or delivery obligations under the Equity Linked Notes relating to the occurrence of a Knock-in Event will be as set out in the Applicable Pricing Supplement.

If "Knock-out Event" is specified as applicable in the Applicable Pricing Supplement, then the payment and/or delivery obligations under the Equity Linked Notes relating to the occurrence of a Knock-out Event will be as set out in the Applicable Pricing Supplement.

Unless otherwise specified in the Applicable Pricing Supplement:

**Knock-in Determination Day** means the date(s) specified as such in the Applicable Pricing Supplement or, if any such date is not a Scheduled Trading Day or a Scheduled

Publishing Day, as the case may be, the first succeeding Scheduled Trading Day or Scheduled Publishing Day, as the case may be, thereafter or, if not so specified, each Scheduled Trading Day or Scheduled Publishing Day, as the case may be, during the Knock-in Determination Period, subject, in each case, as provided in Knock-in/Knock-out Disrupted Day Adjustments below.

**Knock-in Determination Period** means the period which commences on, and includes, the Knock-in Period Start Date and ends on, and includes, the Knock-in Period End Date.

**Knock-in Event** is as specified in the Applicable Pricing Supplement.

**Knock-in/Knock-out Disrupted Day Adjustments** means:

- (a) if the Knock-in Valuation Time or the Knock-out Valuation Time is a single time on each relevant day and any Knock-in Determination Day or Knock-out Determination Day is a Disrupted Day then, if "Knock-in/Knock-out Determination Day consequences of a Disrupted Day" is specified in the Applicable Pricing Supplement as:
  - (i) **Omission**, then such date will be deemed not to be a Knock-in Determination Day or Knock-out Determination Day for the purposes of determining whether a Knock-in Event or a Knock-out Event has occurred, as applicable; provided that if the Knock-in Period End Date or the Knock-out Period End Date is a Disrupted Day and no Knock-in Event or Knock-out Event has occurred in the Knock-in Determination Period or Knock-out Determination Period, the Knock-in Period End Date or Knock-out Period End Date, as applicable, will be treated as a Valuation Date and the provisions of the definition of "Valuation Date" will apply for the purposes of determining the relevant price of a Share or the relevant Value of an Equity Index on the Knock-in Period End Date or Knock-out Period End Date, as applicable, as if such Knock-in Period End Date or Knock-out Period End Date, as applicable, were a Valuation Date that was a Disrupted Day and the Calculation Agent will determine the relevant price of the relevant Share or the relevant Value of the relevant Equity Index in respect of such day in accordance with such provisions (as such provisions may be amended for these purposes in the Applicable Pricing Supplement, for example but without limitation, in respect of the time at which any subsequent valuation(s) is/are made) for the purpose of determining whether a Knock-in Event or Knock-out Event will occur; or
  - (ii) **Postponement**, then the provisions of the definition of "Valuation Date" will apply for the purposes of determining the relevant price of a Share or the relevant Value of an Equity Index, as the case may be, on that Knock-in Determination Day or Knock-out Determination Day as if such Knock-in Determination Day or Knock-out Determination Day, as the case may be, were a Valuation Date that was a Disrupted Day and the Calculation Agent will determine the relevant price of the relevant Share or the relevant Value of the relevant Equity Index in respect of such day in accordance with such provisions (as such provisions may be amended for these purposes in the Applicable Pricing Supplement, for example but without limitation, in respect of the time at which any subsequent valuation(s) is/are made) for purposes of determining whether a Knock-in Event or Knock-out Event will occur; or

(b) if the Knock-in Valuation Time or the Knock-out Valuation Time specified in the Applicable Pricing Supplement is other than a single time on each relevant day and if on any Knock-in Determination Day or Knock-out Determination Day as of any Knock-in Valuation Time or Knock-out Valuation Time a Knock-in Event or Knock-out Event has or would have occurred but the conditions for a Disrupted Day have been satisfied at such time then, if "Knock-in/Knock-out intraday valuation consequences of disruption" is specified in the Applicable Pricing Supplement as:

(i) **Omission**, then such Knock-in Valuation Time or the Knock-out Valuation Time, as the case may be, will be ignored for purposes of determining whether a Knock-in Event or a Knock-out Event has occurred, provided that if no Knock-in Event or Knock-out Event has occurred in the Knock-in Determination Period or Knock-out Determination Period and the conditions for a Disrupted Day are satisfied as of the last occurring Knock-in Valuation Time or Knock-out Valuation Time on the Knock-in Period End Date or Knock-out Period End Date, as applicable, then such day will be treated as a Valuation Date and the provisions of the definition of "Valuation Date" will apply for the purposes of determining the relevant price of the Share or the relevant Value of the Equity Index on the Knock-in Period End Date or Knock-out Period End Date, as applicable, as if such Knock-in Period End Date or Knock-out Period End Date, as applicable, were a Valuation Date that was a Disrupted Day and the Calculation Agent will determine the relevant price of the relevant Share or the relevant Value of the Equity Index in respect of such day in accordance with such provisions (as such provisions may be amended for these purposes in the Applicable Pricing Supplement, for example but without limitation, in respect of the time at which any subsequent valuation(s) is/are made) for the purpose of determining whether a Knock-in Event or Knock-out Event will occur; or

(ii) **Materiality**, then (i) where the Calculation Agent determines that the relevant event or occurrence giving rise to such Disrupted Day is not material for the purposes of determining the price of the Share or the Value of the Equity Index, as the case may be, as of such time, the Knock-in Event or Knock-out Event, as applicable, may occur notwithstanding such event or occurrence, or (ii) where the Calculation Agent determines that the relevant event or occurrence giving rise to such Disrupted Day is material for the purposes of determining the price of the Share or the Value of the Equity Index, as the case may be, as of such time, then the Knock-in Event or the Knock-out Event will be deemed not to have occurred at such time provided that if no Knock-in Event or Knock-out Event has occurred in the Knock-in Determination Period or Knock-out Determination Period and the conditions for a Disrupted Day are satisfied as of the last occurring Knock-in Valuation Time or Knock-out Valuation Time on the Knock-in Period End Date or Knock-out Period End Date, as applicable, then such day will be treated as a Valuation Date and the provisions of the definition of "Valuation Date" will apply for the purposes of determining the relevant price of the Share or the relevant Value of the Equity Index, as the case may be, on the Knock-in Period End Date or Knock-out Period End Date, as applicable, as if such Knock-in Period End Date or Knock-out

Period End Date, as applicable, were a Valuation Date that was a Disrupted Day and the Calculation Agent will determine the relevant price of the Share or the relevant Value of the Equity Index, as the case may be, in respect of such day in accordance with such provisions (as such provisions may be amended for these purposes in the Applicable Pricing Supplement, for example but without limitation, in respect of the time at which any subsequent valuation(s) is/are made) for the purpose of determining whether a Knock-in Event or Knock-out Event will occur.

**Knock-in Level** means, in respect of a Share, the price of the Share specified as such or otherwise determined as provided in the Applicable Pricing Supplement and means in respect of an Equity Index, the Value of the Equity Index specified as such or otherwise determined as provided in the Applicable Pricing Supplement.

**Knock-in Period End Date** means the date specified as such in the Applicable Pricing Supplement or, if such date is not a Scheduled Trading Day or a Scheduled Publishing Day, as the case may be, the next following Scheduled Trading Day or Scheduled Publishing Day, as the case may be, or, if earlier, the second Business Day immediately preceding the date of payment or delivery of any amount calculated pursuant to the applicable Knock-in Event provisions or, if such Business Day is not a Scheduled Trading Day or a Scheduled Publishing Day, as the case may be, the immediately preceding Scheduled Trading Day or Scheduled Publishing Day, as the case may be.

**Knock-in Period Start Date** means the date specified as such in the Applicable Pricing Supplement or, if such date is not a Scheduled Trading Day or a Scheduled Publishing Day, as the case may be, the next following Scheduled Trading Day or Scheduled Publishing Day, as the case may be.

**Knock-in Valuation Time** means the time or period of time on any Knock-in Determination Day specified as such in the Applicable Pricing Supplement or, if no such time is so specified, the Valuation Time, for which purposes references in the definition of Valuation Time to "Valuation Date", will be deemed to be to "Knock-in Determination Day".

**Knock-out Determination Day** means the date(s) specified as such in the Applicable Pricing Supplement, or, if any such date is not a Scheduled Trading Day or a Scheduled Publishing Day, as the case may be, the first succeeding Scheduled Trading Day or Scheduled Publishing Day, as the case may be, thereafter or each Scheduled Trading Day or Scheduled Publishing Day, as the case may be, during the Knock-out Determination Period, subject, in each case, as provided in Knock-in/Knock-out Disrupted Day Adjustments above.

**Knock-out Determination Period** means the period which commences on, and includes, the Knock-out Period Start Date and ends on, and includes, the Knock-out Period End Date.

**Knock-out Event** is as specified in the Applicable Pricing Supplement.

**Knock-out Level** means, in respect of a Share, the price of the Share specified as such or otherwise determined as provided in the Applicable Pricing Supplement and means in respect of an Equity Index, the Value of the Equity Index specified as such or otherwise determined as provided in the Applicable Pricing Supplement.



**Knock-out Period End Date** means the date specified as such in the Applicable Pricing Supplement or, if such date is not a Scheduled Trading Day or a Scheduled Publishing Day, as the case may be, the next following Scheduled Trading Day or Scheduled Publishing Day, as the case may be, or, if earlier, the second Business Day immediately preceding the date of payment or delivery of any amount calculated pursuant to the applicable Knock-out Event provisions or, if such Business Day is not a Scheduled Trading Day or a Scheduled Publishing Day, as the case may be, the immediately preceding Scheduled Trading Day or Scheduled Publishing Day, as the case may be.

**Knock-out Period Start Date** means the date specified as such in the Applicable Pricing Supplement or, if such date is not a Scheduled Trading Day or a Scheduled Publishing Day, as the case may be, the next following Scheduled Trading Day or Scheduled Publishing Day, as the case may be.

**Knock-out Valuation Time** means the time or period of time on any Knock-out Determination Day specified as such in the Applicable Pricing Supplement or, if no such time is so specified, the Valuation Time for which purposes, references in the definition of Valuation Time to "Valuation Date", will be deemed to be to "Knock-out Determination Day".

## 8. OPTION TO VARY SETTLEMENT

The Issuer has an option to vary settlement in respect of the Equity Linked Notes and the Issuer may at its sole and unfettered discretion in respect of each such Equity Linked Note elect not to pay the relevant Noteholders the Final Redemption Amount, but, in lieu thereof, deliver or procure delivery of the Shares or the Basket of Shares on the Maturity Date to the relevant Noteholders, as the case may be ("**Physical Settlement**"). Notification of such election will be given to Noteholders in accordance with General Condition 13 (*Notices*). In instances where Physical Settlement is contemplated, the particulars of the Physical Settlement process will be specified in the Applicable Pricing Supplement.

## 9. FUTURES PRICE VALUATION

- 9.1 If "Futures Price Valuation" is specified to apply in relation to a Share or an Equity Index in the Applicable Pricing Supplement, in respect of such Share or Equity Index, as the case may be, the following amendments will apply to these Equity Linked Conditions:

For the purposes of determining whether a day is a Scheduled Trading Day where Futures Price Valuation applies in relation to any Share or Equity Index, a Scheduled Trading Day or Scheduled Publishing Day, as the case may be, must be a day on which the Official Settlement Price is published by the relevant Related Exchange in relation to the relevant Share or Equity Index to which Futures Price Valuation applies.

The Disrupted Day provisions in these Equity Linked Conditions will not apply in relation to any Share or Equity Index in respect of which Futures Price Valuation applies, unless there is a Non-Commencement or Discontinuance of the Exchange-traded Contract, in which case the Disrupted Day provisions will apply to the relevant Share or Equity Index.

For these purposes:

**Exchange-traded Contract** means, in relation to a Share or an Equity Index, a futures or options contract specified as such for the Share or the relevant Equity Index in the Applicable Pricing Supplement, in each case, identified by reference to (a) the Share or

the Equity Index to which it relates, (b) the delivery month of such contract, and (c) the Related Exchange on which the relevant contract is traded.

**Non-Commencement or Discontinuance of the Exchange-traded Contract** means there is no Official Settlement Price as a result of the fact that trading in the Exchange-traded Contract never commences or is permanently discontinued at any time on or prior to a Valuation Date, Observation Date, Averaging Date or other date for valuation or observation, as the case may be, of the relevant Share or the relevant Equity Index, as the case may be.

**Official Settlement Price** means, the official settlement price (however described under the rules of the relevant Related Exchange or its clearing house) of the relevant Exchange-traded Contract published by the Related Exchange or its clearing house and as determined by the Calculation Agent.

**Related Exchange** means, in respect of a Share or an Equity Index, the relevant exchange specified in the description of the Exchange-traded Contract for such Share or Equity Index, as the case may be, in the Applicable Pricing Supplement.

**Share Closing Price** means, in relation to the relevant Share and any Scheduled Trading Day, the Official Settlement Price on such day.

**Index Closing Value** means in relation to the relevant Equity Index and any Scheduled Publishing Day, the Official Settlement Price on such day.

## 9.2 Adjustments of the Exchange-traded Contract

If the terms of the relevant Exchange-traded Contract are changed or modified by the relevant Related Exchange, the Calculation Agent may make the appropriate adjustment, if any, to the Terms and Conditions and/or the Applicable Pricing Supplement to account for such change or modification.

## 9.3 Non-Commencement or Discontinuance of the Exchange-traded Contract

Where there is a Non-Commencement or Discontinuance of the Exchange-traded Contract, the Official Settlement Price for any Valuation Date, Observation Date, Averaging Date or any other relevant date for valuation or observation, as the case may be, of the relevant Share or the relevant Equity Index, as the case may be, will be deemed to be the Share Closing Price of the relevant Share or the Index Closing Value, as the case may be, at the close of the regular trading session on the relevant Exchange on the Valuation Date, Observation Date, Averaging Date or other relevant date.

## 9.4 Corrections of the Official Settlement Price

If the Official Settlement Price for any Valuation Date, Observation Date, Averaging Date or any other date for valuation or observation, as the case may be, in relation to the relevant Share or Equity Index (an **Exchange-traded Contract Relevant Calculation**) is subsequently corrected and the correction (the **Corrected Official Settlement Price**) is published by the relevant Related Exchange no later than two Business Days prior to the date of payment or delivery of any amount calculated by reference to the Exchange-traded Contract Relevant Calculation then the Corrected Official Settlement Price will be deemed to be the Share Closing Price for such Share or the Index Closing Value for such Equity Index, as the case may be, on such Valuation Date, Averaging Date, Observation Date or other relevant date, as the case may be, and the Calculation Agent

will use such Corrected Official Settlement Price in determining the relevant amount payable or deliverable.

## ANNEX 3

### ADDITIONAL TERMS AND CONDITIONS FOR FX LINKED NOTES

The terms and conditions applicable to FX Linked Notes shall comprise the Terms and Conditions of the Notes set out above (the "**General Conditions**") and the Additional Terms and Conditions for FX Linked Notes set out below (the "**FX Linked Note Conditions**"), in each case subject to replacement or modification to the extent specified in the Applicable Pricing Supplement. In the event of any inconsistency between the General Conditions and the FX Linked Note Conditions, the FX Linked Note Conditions shall prevail. In the event of any inconsistency between (i) the General Conditions and/or the FX Linked Note Conditions and (ii) the Applicable Pricing Supplement, the Applicable Pricing Supplement, shall prevail.

#### 1. CURRENCY VALUATION AND DISRUPTION PROVISIONS

##### (a) Disruption Events

If so specified in the Applicable Pricing Supplement, the occurrence of any of the following events, in respect of any Base Currency, Subject Currency and/or Subject Currencies, shall be a "**Disruption Event**":

- (i) Price Source Disruption;
- (ii) Illiquidity Disruption;
- (iii) Dual Exchange Rate;
- (iv) General Inconvertibility;
- (v) General Non-Transferability;
- (vi) Material Change in Circumstance;
- (vii) Nationalisation;
- (viii) Price Materiality;
- (ix) Benchmark Obligation Default;
- (x) Governmental Authority Default;
- (xi) Inconvertibility/Non-Transferability;
- (xii) Specific Inconvertibility;
- (xiii) Specific Non-Transferability; and/or

any other event that, in the opinion of the Calculation Agent, is analogous to any of sub-paragraphs (i) to (xiii) above (inclusive).

The Calculation Agent shall give notice as soon as reasonably practicable to Noteholders in accordance with General Condition 13 (*Notices*) of the occurrence of a Disrupted Day on any day that but for the occurrence of the Disrupted Day would have been either (x) any Averaging Date or the Settlement Price Date; or (y) the Due Date, as the case may be.

(b) **Consequences of a Disruption Event**

Upon the Calculation Agent determining that a Disruption Event has occurred or is continuing on either the Due Date, any Averaging Date or Settlement Price Date, as the case may be (or, if different, the day on which prices for that date would, in the ordinary course, be published by the relevant FX Price Source), the Calculation Agent, in determining the consequences of the Disruption Event:

- (i) shall:
  - (A) apply the applicable Disruption Fallback where the applicable Disruption Event is any Disruption Event other than Illiquidity Disruption, Dual Exchange Rate and/or Material Change in Circumstance; or
  - (B) apply Calculation Agent Determination where the applicable Disruption Event is Illiquidity Disruption and/or Dual Exchange Rate; or
  - (C) where the applicable Disruption Event is Material Change in Circumstance, determine that on giving notice to Noteholders in accordance with General Condition 13 (*Notices*), the Issuer shall redeem all but not some only of the Notes, each Note being redeemed by payment of an amount equal to the Calculated FX Disruption Amount;

or

- (ii) shall, if an Averaging Date or Settlement Price Date is a Disrupted Day but is not the Redemption Valuation Date, and if Delayed Redemption on the Occurrence of a Disruption Event is specified as being Not Applicable in the Applicable Pricing Supplement, determine that on giving notice to Noteholders in accordance with General Condition 13 (*Notices*), the Issuer shall redeem all but not some only of the Notes, each Note being redeemed by payment of an amount equal to the Calculated FX Disruption Amount. Payment shall be made in such manner as shall be notified to the Noteholders in accordance with General Condition 13 (*Notices*); or
- (iii) shall, if an Averaging Date or Settlement Price Date is a Disrupted Day but is not the Redemption Valuation Date, and if Delayed Redemption on the Occurrence of a Disruption Event is specified as being Applicable in the Applicable Pricing Supplement, determine that on the Maturity Date the Issuer shall redeem each Note at an amount calculated by the Calculation Agent equal to (x) the Calculated FX Disruption Amount calculated on the Calculated FX Disruption Amount Determination Date plus interest accrued on the Calculated FX Disruption Amount on a daily basis from and including the Calculated FX Disruption Amount Determination Date to but excluding the Maturity Date, each such daily accrual rate being at a rate equal to the Issuer's funding cost on or about the relevant day or (y) if greater, its nominal amount; or
- (iv) shall, if an Averaging Date or Settlement Price Date is a Disrupted Day but is not the Redemption Valuation Date, and if (i) Delayed Redemption on the Occurrence of a Disruption Event is specified as being not applicable in the

Applicable Pricing Supplement and (ii) FX Deliverable Obligations is specified in the Applicable Pricing Supplement, determine that on giving notice to Noteholders in accordance with General Condition 13 (*Notices*) (an "**FX Deliverable Obligations Redemption Notice**"), the Issuer shall redeem all but not some only of the Notes, each Note being redeemed by:

- (A) Delivery of the FX Deliverable Obligations comprising the FX Entitlement to the FX Designated Transferee on or before the FX Physical Settlement Date, subject to and in accordance with FX Linked Note Condition 1(f) (*Physical delivery*); or
  - (B) payment of the FX Entitlement Fair Market Value. Payment shall be made in such manner as shall be notified to the Noteholders in accordance with General Condition 13 (*Notices*); or
- (v) shall, if an Averaging Date or Settlement Price Date is a Disrupted Day but is not the Redemption Valuation Date, and if (i) Delayed Redemption on the Occurrence of a Disruption Event is specified as being applicable in the Applicable Pricing Supplement and (ii) FX Deliverable Obligations is specified in the Applicable Pricing Supplement, determine that on the Maturity Date the Issuer shall redeem each Note at an amount calculated by the Calculation Agent equal to (x) the FX Entitlement Fair Market Value plus interest accrued on the FX Entitlement Fair Market Value on a daily basis from and including the FX Entitlement Valuation Date to but excluding the Maturity Date, each such daily accrual rate being at a rate equal to the Issuer's funding cost on or about the relevant day or (y) if greater, its nominal amount.

In such circumstances the Issuer shall give notice to the Noteholders in accordance with General Condition 13 (*Notices*) (a "**Disruption Event Action Notice**") specifying which of the above actions the Calculation Agent has determined shall be taken (for the avoidance of doubt, where notice of redemption is given pursuant to the above, the Disruption Event Action Notice may form part of such notice). Failure to give a Disruption Event Action Notice shall not constitute an Event of Default or invalidate any action taken pursuant to the above.

If the Notes are to be redeemed pursuant to sub-paragraph (iv) above, the FX Deliverable Obligations Redemption Notice will also describe the FX Deliverable Obligations comprising the FX Entitlement that the Issuer reasonably expects to Deliver or be valued. The Issuer may, from time to time, amend an FX Deliverable Obligations Redemption Notice by delivering a notice to Noteholders in accordance with General Condition 13 (*Notices*), (each such notification, an "**FX Deliverable Obligations Redemption Amendment Notice**") that the Issuer is replacing, in whole or in part, one or more FX Deliverable Obligations specified in the FX Deliverable Obligations Redemption Notice or a prior FX Deliverable Obligations Redemption Amendment Notice, as applicable (to the extent the relevant FX Deliverable Obligation has not been Delivered as of the date such FX Deliverable Obligations Redemption Amendment Notice is effective). An FX Deliverable Obligations Redemption Amendment Notice shall specify each replacement FX Deliverable Obligation that will comprise the FX Entitlement (each, a "**Replacement FX Deliverable Obligation**") and shall also specify the outstanding principal balance of each FX Deliverable Obligation identified in the FX Deliverable Obligations Redemption Notice or a prior FX Deliverable Obligations Redemption Amendment Notice, as applicable, that is being replaced (with respect to each such

FX Deliverable Obligation, the "**Replaced FX Deliverable Obligation Outstanding Amount**"). The aggregate outstanding principal balance of the Replacement FX Deliverable Obligation(s), taken together, shall be at least equal to the aggregate of each Replaced FX Deliverable Obligation Outstanding Amount. Each such FX Deliverable Obligations Redemption Amendment Notice must be effective on or prior to the FX Physical Settlement Date (determined without reference to any change resulting from such FX Deliverable Obligations Redemption Amendment Notice) or FX Entitlement Valuation Date, as applicable. Notwithstanding the foregoing, the Issuer may correct any errors or inconsistencies contained in the FX Deliverable Obligations Redemption Notice or any FX Deliverable Obligations Redemption Amendment Notice, as applicable, by notice to the Noteholders in accordance with General Condition 13 (*Notices*), prior to the relevant FX Delivery Date or FX Entitlement Valuation Date, as applicable, it being understood that any such notice of correction shall not constitute an FX Deliverable Obligations Redemption Amendment Notice.

For the avoidance of doubt, the Calculation Agent shall be entitled to select any of the FX Deliverable Obligations to constitute the FX Entitlement, irrespective of their market value.

In the event that the Notes become redeemable in accordance with this FX Linked Note Condition 1(b) (*Consequences of a Disruption Event*), upon Delivery of the FX Deliverable Obligations or payment of the relevant cash amount (as determined in accordance with the provisions of this FX Linked Note Condition 1(b) (*Consequences of a Disruption Event*)), as applicable, the Issuer shall have discharged its obligations in respect of the Notes and shall have no other liability or obligation whatsoever in respect thereof. The value of such FX Deliverable Obligations or cash amount may be less than the nominal amount of a Note. Any shortfall shall be borne by the Noteholders and no liability shall attach to the Issuer.

(c) **Unscheduled Holiday**

If the Calculation Agent determines that a date that would otherwise have been a Settlement Price Date or Averaging Date is an Unscheduled Holiday in respect of a Subject Currency, then such date shall be the immediately succeeding Scheduled Trading Day after the occurrence of the Unscheduled Holiday, subject as provided above, and provided that if such Settlement Price Date or Averaging Date, as the case may be, has not occurred on or before the Maximum Days of Postponement then the next Business Day after such period that would have been a Scheduled Trading Day but for the Unscheduled Holiday shall be deemed to be the relevant date for valuation and the Settlement Price shall be determined by the Calculation Agent on such day in its sole and absolute discretion acting in good faith, having taken into account relevant market practice and by reference to such additional source(s) as it may deem appropriate.

(d) **Cumulative Events**

If "Cumulative Events" is specified as applicable in the Applicable Pricing Supplement in respect of a Subject Currency then, in no event shall the total number of consecutive calendar days during which a Settlement Price Date or Averaging

Date is deferred due to either (i) an Unscheduled Holiday or (ii) an Valuation Postponement (or a combination of both (i) and (ii)) exceed the Maximum Cumulative Days of Postponement in the aggregate. If a Settlement Price Date or Averaging Date, as the case may be, is postponed by the number of calendar days equal to the Maximum Cumulative Days of Postponement and at the end of such period (i) an Unscheduled Holiday has occurred or is continuing on the day immediately following such period (the "**Final Day**"), then such Final Day shall be deemed to be the Settlement Price Date or Averaging Date, as the case may be, and (ii) if a Price Source Disruption has occurred or is continuing on the Final Day, then Valuation Postponement shall not apply and the Settlement Price shall be determined in accordance with the next applicable Disruption Fallback.

(e) **Postponement of payment or settlement days**

Where a Settlement Price Date or Averaging Date is postponed as a consequence of either (i) an Unscheduled Holiday; or (ii) a Valuation Postponement (or a combination of both (i) and (ii)), then the corresponding date for payment shall be postponed to the later of (a) the date for such payment otherwise determined in accordance with the Applicable Pricing Supplement and (b) the day falling the Number of Postponement Settlement Days specified in the Applicable Pricing Supplement (or, if none are so specified, two Business Days) after the last occurring Settlement Price Date or Averaging Date, as the case may be.

(f) **Physical delivery**

If the Notes are to be redeemed by Delivery of the FX Deliverable Obligations comprising the FX Entitlement in accordance with FX Linked Note Condition 1(b)(iv)(A) above, in order to obtain Delivery of the FX Entitlement in respect of any Note the relevant Noteholder must deliver to the Principal Paying Agent within 5 (five) Business Days of the FX Deliverable Obligations Redemption Notice Delivery Date (the "**FX Cut-Off Date**"), a duly completed FX Asset Transfer Notice as referred to below together with, where applicable, the Certificates relating to the Notes. No FX Asset Transfer Notice may be withdrawn after receipt thereof. Where applicable, no transfers of the Notes the subject thereof will be effected by the Principal Paying Agent after delivery of an FX Asset Transfer Notice.

Forms of the FX Asset Transfer Notice may be obtained during normal business hours from the specified office of each Paying Agent.

An FX Asset Transfer Notice shall:

- (i) specify the name of the Noteholder;
- (ii) specify the name, physical and postal address and the banking and securities safe custody account details of the FX Designated Transferee;
- (iii) specify the Nominal Amount of Notes which are the subject of such notice;
- (iv) irrevocably instruct and authorise the Principal Paying Agent to cancel the relevant Notes and Certificates;
- (v) authorise the production of such notice in any applicable administrative or legal proceedings; and



- (vi) either (i) include an undertaking to pay all FX Delivery Expenses on or prior to the FX Delivery Expenses Cut-off Date; or (ii) instruct the Issuer to deduct from the FX Entitlement FX Deliverable Obligations with a market value determined by the Calculation Agent equal to the FX Delivery Expenses.

***Noteholders should note that if they elect to pay all FX Delivery Expenses but have not done so on or prior to the FX Delivery Expenses Cut-off Date, notwithstanding such election, the relevant FX Delivery Expenses will be deducted in the calculation of the FX Entitlement as provided in the definition thereof.***

Failure to properly complete and deliver an FX Asset Transfer Notice and, where applicable, the relevant Certificates, may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered shall be made by the Principal Paying Agent in its sole and absolute discretion and shall be binding on the relevant Noteholder and the Issuer.

Upon receipt of a duly completed FX Asset Transfer Notice, the Principal Paying Agent shall, in the case of Registered Notes, verify that the person specified in the notice as the Noteholder is the holder of the Note referred to therein according to the Register and in the case of Bearer Notes, the Principal Paying Agent may for all purposes regard the person disclosed as the Noteholder in the FX Asset Transfer Notice as the holder of the Note and the Principal Paying Agent shall not be required to perform any further verification or confirmation as to the identity of the holder of the Note.

The FX Deliverable Obligations comprising the FX Entitlement in respect of each Note will be Delivered at the risk of the relevant Noteholder in such commercially reasonable manner as the Calculation Agent shall in its sole discretion determine and the Issuer shall notify to the FX Designated Transferee or in such manner as specified in the Applicable Pricing Supplement. Any FX Designated Transferee other than the Noteholder shall be deemed to be the duly authorised agent of the Noteholder and any Delivery or payment to such person shall be deemed for all purposes to be a Delivery or payment to the Noteholder and shall satisfy the Issuer's obligations in respect thereof. Such person shall not be entitled to enforce any of the Noteholder's rights against the Issuer and the Issuer shall have no liability or obligation to or in respect of the FX Designated Transferee. By delivery of an FX Asset Transfer Notice, the Noteholder shall be deemed to represent that the FX Designated Transferee has agreed to the foregoing.

If the FX Asset Transfer Notice and where applicable, the relevant Certificates, are delivered to the Issuer later than close of business on the FX Cut-Off Date, then the FX Deliverable Obligations comprising the FX Entitlement in respect of the relevant Notes will be Delivered as soon as practicable after the date on which the duly completed FX Asset Transfer Notice is received, at the risk of the relevant Noteholder in the manner provided above. For the avoidance of doubt, such Noteholder shall not be entitled to any payment or to other assets, whether in respect of interest or otherwise, in the event of such later Delivery of the FX Deliverable Obligations comprising the FX Entitlement and such later Delivery shall not constitute an Event of Default.

If the Noteholder fails to deliver an FX Asset Transfer Notice in the manner set out herein or, where applicable, fails to deliver the Certificates related thereto within one calendar year of the FX Deliverable Obligations Redemption Notice Delivery Date,

the Issuer shall be discharged from its obligations in respect of such Notes and shall have no further obligation or liability whatsoever in respect thereof.

Until Delivery of the FX Deliverable Obligations comprising the FX Entitlement is made, the Issuer or any person holding such assets on behalf of the Issuer shall continue to be the legal owner of those assets. After Delivery of the FX Deliverable Obligations comprising the FX Entitlement and for the Intervening Period, none of the Issuer, the Calculation Agent nor any other person shall at any time (i) be under any obligation to deliver or procure delivery to the Noteholder or its FX Designated Transferee of any letter, certificate, notice, circular or any other document or payment whatsoever received by that person in respect of the securities or obligations included in such FX Entitlement, (ii) be under any obligation to exercise or procure the exercise of any or all rights (including voting rights) attaching or appertaining to such securities or obligations included in such FX Entitlement or (iii) be under any liability to a Noteholder for any loss, liability, damage, cost or expense that such Noteholder may sustain or suffer as a result, whether directly or indirectly, of that person being registered during such Intervening Period as legal owner of such securities or obligations included in such FX Entitlement.

Where the FX Entitlement is, in the determination of the Issuer, an amount other than an amount of FX Deliverable Obligation(s) capable of being Delivered at the relevant time, (i) the Issuer shall not Deliver and the relevant Noteholder shall not be entitled to receive in respect of its Notes that fraction of a FX Deliverable Obligation which is less than a whole number (the "**Fractional Entitlement**") and (ii) the Issuer shall pay to the relevant Noteholder a cash amount (to be paid at the same time as Delivery of the FX Deliverable Obligations comprising the FX Entitlement) equal to the fair market value (as determined by the Calculation Agent) of such Fractional Entitlement.

The costs, taxes, duties and/or expenses (including stamp duty, securities transfer tax and/or other costs, taxes or expenses) (the "**FX Delivery Expenses**") of effecting any Delivery of the FX Deliverable Obligations comprising the FX Entitlement (except for the expenses of delivery by uninsured mail (if any) which shall be borne by the Issuer) shall, in the absence of any provision to the contrary in the Applicable Pricing Supplement, be borne by the relevant Noteholder and shall, unless otherwise specified in the Applicable Pricing Supplement, be:

- (i) paid to the Issuer by such Noteholder on or prior to the day falling 10 (ten) Business Days following the date of delivery of the FX Asset Transfer Notice (the "**FX Delivery Expenses Cut-off Date**") and in any event prior to the Delivery of the FX Deliverable Obligations comprising the FX Entitlement (and, for the avoidance of doubt, the Issuer shall not be required to Deliver such FX Deliverable Obligations until it has received such payment); and (as applicable in the case of sub-paragraph (b)(ii) below)/or
- (ii) (a) if so instructed by such Noteholder in the FX Asset Transfer Notice; (b) (i) if the Noteholder has not paid the FX Delivery Expenses (in whole or in part) on or prior to the FX Delivery Expenses Cut-off Date; or (ii) if the FX Delivery Expenses have not been determined on or prior to the FX Delivery Expenses Cut-Off Date, deducted (if FX Delivery Expenses have been paid in part, to the extent of the non-payment only) by the Issuer in the calculation of the FX Entitlement.

If, due to an event beyond the control of the Issuer, it is impossible or illegal to Deliver any FX Deliverable Obligations comprising an FX Entitlement (the "**FX Undeliverable Obligations**") on the FX Physical Settlement Date (including without limitation, as a result of failure of the relevant clearance system or due to any law, regulation or court order, contractual restrictions, statutory restrictions or market conditions), then the Issuer shall Deliver or procure the Delivery of the FX Deliverable Obligations which are not FX Undeliverable Obligations and the FX Undeliverable Obligations will be Delivered on the first succeeding day on which Delivery of such FX Undeliverable Obligations can take place unless such an event prevents Delivery for 5 (five) Business Days. In that case, the Calculation Agent will determine the action to be taken under the Notes, including whether or not the Issuer will continue to attempt to Deliver the FX Undeliverable Obligations, and the future terms applicable to the Notes. The relevant Noteholder shall not be entitled to any payment or to other assets, whether in respect of interest or otherwise, in the event of such late Delivery of or failure to Deliver such FX Undeliverable Obligations and such late Delivery or failure to Deliver shall not constitute an Event of Default.

## 2. DEFINITIONS

<b>"Averaging Date"</b>	means the dates specified as such in the Applicable Pricing Supplement or, if any such day is not a Scheduled Trading Day, the immediately preceding Scheduled Trading Day for the relevant Subject Currency and, in the event of an Unscheduled Holiday, subject to adjustment as set out in FX Linked Note Condition 1(c) ( <i>Unscheduled Holiday</i> ) above, unless, in the opinion of the Calculation Agent, the resultant day is a Disrupted Day, in which case the provisions of FX Linked Note Condition 1(b) ( <i>Consequences of a Disruption Event</i> ) shall apply.
<b>"Base Currency"</b>	means the currency specified as such in the Applicable Pricing Supplement.
<b>"Benchmark Obligation"</b>	means, in respect of a Subject Currency, each obligation specified as such for such Subject Currency in the Applicable Pricing Supplement.
<b>"Benchmark Obligation Default"</b>	means, with respect to any Benchmark Obligation, the occurrence of a default, event of default or other similar condition or event (however described) including, but not limited to, (A) the failure of timely payment in full of any principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of such Benchmark Obligation, (B) a declared moratorium, standstill, waiver, deferral, Repudiation or rescheduling of any principal, interest or other amounts due in respect of such Benchmark Obligation or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of such Benchmark Obligation without the consent of all holders of such Benchmark Obligation.

The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of the relevant entity to issue or enter into such Benchmark Obligation.

**"Calculated FX Disruption Amount"**

means the fair market value of each Note less the cost to the Issuer and/or its affiliates of unwinding any underlying related hedging arrangements, all as determined by the Calculation Agent in its sole and absolute discretion.

**"Calculated FX Disruption Amount Determination Date"**

means as soon as reasonably practicable following the occurrence of the Disruption Event.

**"Deliver"**

means to deliver, novate, transfer, assign or sell, as appropriate, in the manner customary for the settlement of the relevant FX Deliverable Obligation (which shall include executing all necessary documentation and taking any other necessary actions), in order to convey all right, title and interest in the FX Deliverable Obligation to the relevant FX Designated Transferee, free and clear of all claims, charges and liens and encumbrances. "Delivery" and "Delivered" will be construed accordingly.

**"Disrupted Day"**

means any Scheduled Trading Day on which the Calculation Agent determines that a Disruption Event has occurred.

**"Disruption Fallback"**

means a source or method that may give rise to an alternative basis for:

- (i) determining the Settlement Price when an Disruption Event occurs or exists on a day that is an Averaging Date or Settlement Price Date (or, if different, the day on which prices for that date would, in the ordinary course, be published or announced by the FX Price Source) being, in respect of a Subject Currency, any of Calculation Agent Determination, First Fallback Reference Price, Second Fallback Reference Price, Valuation Postponement and Settlement Postponement, as so specified in the Applicable Pricing Supplement for such Subject Currency; or
- (ii) settling the Final FX Settlement Amount when a Disruption Event occurs or exists on the Due Date.

Where more than one Disruption Fallback is so specified in respect of the determination of the

Settlement Price as mentioned in paragraph (i) of this definition, then such Disruption Fallbacks shall apply in the order in which they are specified in the Applicable Pricing Supplement until the Settlement Price can be determined for such exchange rate relating to that Subject Currency for such Averaging Date or Settlement Price Date.

Where:

- (a) **"Calculation Agent Determination"** means that the Calculation Agent shall determine the Settlement Price in its sole and absolute discretion taking into consideration all information that it deems relevant.
- (b) **"First Fallback Reference Price"** means that the Calculation Agent shall determine the Settlement Price in its sole and absolute discretion by reference to the applicable First Fallback Reference Price and, for which purpose, references in the definition of Settlement Price to "FX Price Source", "Valuation Time" and "Number of Settlement Days" shall be deemed to refer to, respectively, "First Fallback FX Price Source", "First Fallback Valuation Time" and "First Fallback Number of Settlement Days" (in each case, where such terms shall have the meanings given to them in the Applicable Pricing Supplement).
- (c) **"Second Fallback Reference Price"** means that the Calculation Agent shall determine the Settlement Price in its sole and absolute discretion by reference to the applicable Second Fallback Reference Price and, for which purpose, references in the definition of "Settlement Price" to "FX Price Source", "Valuation Time" and "Number of Settlement Days" shall be deemed to refer to, respectively, "Second Fallback FX Price

Source", "Second Fallback Valuation Time" and "Second Fallback Number of Settlement Days" (in each case, where such terms shall have the meanings given to them in the Applicable Pricing Supplement).

- (d) **"Valuation Postponement"** means that the Settlement Price shall be determined on the first succeeding Scheduled Trading Day which is not a Disrupted Day unless the Calculation Agent determines that each of the number of consecutive Scheduled Trading Days equal to the Maximum Days of Postponement immediately following the originally designated Averaging Date or Settlement Price Date, as the case may be, is a Disrupted Day. In such event, the Settlement Price shall be determined on the next Scheduled Trading Day after the Maximum Days of Postponement (notwithstanding the fact that that day may be a Disrupted Day) in accordance with the next applicable Disruption Fallback.
- (e) **"Settlement Postponement"** means, without affecting any determination or valuation to be made on a Settlement Price Date or any other date, the Issuer's obligation to pay the Final FX Settlement Amount on the Due Date shall be postponed to the first succeeding Business Day after the Due Date on which the Disruption Event ceases to exist, unless such Disruption Event continues to exist (measured from the original date that, but for the occurrence of such Disruption Event, would have been the Due Date) for consecutive Business Days equal in number to the Maximum Days of Settlement Postponement. Should the Disruption Event still prevail on the last consecutive Business Day of the Maximum Days of Settlement Postponement, then the Calculation Agent shall, acting in good faith and a commercially reasonable manner, be entitled to in its sole discretion determine the manner in which the Notes shall be redeemed, and the value thereof.

**"Due Date"**

means the date on which the Final FX Settlement Amount is due.

**"Dual Exchange Rate"**

means that any of the exchange rates (or component rates therefor) from which the Settlement Price is

	derived, splits into dual or multiple currency exchange rates.
<b>"Face Amount"</b>	means the amount specified as such in the Applicable Pricing Supplement.
<b>"Final FX Settlement Amount"</b>	means the Final Redemption Amount, Cash Settlement Amount, Optional Redemption Amount or Early Redemption Amount, as applicable.
<b>"FX Asset Transfer Notice"</b>	means a notice that complies with FX Linked Note Condition 1(f) ( <i>Physical delivery</i> ) delivered by the Noteholder to the Issuer.
<b>"FX Deliverable Obligations"</b>	means the obligation(s) specified as such in the Applicable Pricing Supplement.
<b>"FX Deliverable Obligations Redemption Notice Cut-off Date"</b>	means the sixtieth calendar day after the FX Deliverable Obligations Redemption Notice Delivery Date.
<b>"FX Deliverable Obligations Redemption Notice Delivery Date"</b>	means the first date on which an effective FX Deliverable Obligations Redemption Notice has been delivered by the Issuer to the Noteholders in accordance with General Condition 13 ( <i>Notices</i> ).
<b>"FX Delivery Date"</b>	means, with respect to a FX Deliverable Obligation, the date such FX Deliverable Obligation is Delivered.
<b>"FX Designated Transferee"</b>	means the person specified in the FX Asset Transfer Notice, to whom Delivery of the FX Deliverable Obligations is to be made, which person may be the Noteholder or any other person.
<b>"FX Entitlement"</b>	means, in respect of a Note, such Note's <i>pro rata</i> share of (a) FX Deliverable Obligations, as selected by the Calculation Agent in its sole and absolute discretion, with an outstanding principal balance equal to the Face Amount less (b) FX Deliverable Obligations with a market value determined by the Calculation Agent in its sole and absolute discretion on the Business Day selected by the Calculation Agent in its sole and absolute discretion falling during the period from and including the date on which the Calculation Agent determined the Notes would be redeemed pursuant to FX Linked Note Condition 1(b)(iv) to and including the FX Delivery Date or FX Entitlement Valuation Date, as the case may be, equal to the Unwind Costs.
<b>"FX Entitlement Fair Market Value"</b>	means, in respect of a Note, the fair market value of the FX Entitlement on the FX Entitlement Valuation Date, as determined by the Calculation Agent in its

sole and absolute discretion acting in good faith and a commercially reasonable manner.

<b>"FX Entitlement Valuation Date"</b>		means any Business Day selected by the Calculation Agent in its sole and absolute discretion falling within the period from (and excluding) the FX Deliverable Obligations Redemption Notice Delivery Date, to (and including) the 60th Business Day following such date.
<b>"FX Physical Settlement Date"</b>		means the last day of the longest FX Physical Settlement Period following the FX Deliverable Obligations Redemption Notice Cut-off Date.
<b>"FX Physical Settlement Period"</b>		means, with respect to an FX Deliverable Obligation, the longest number of Business Days for settlement in accordance with then current market practice of such FX Deliverable Obligation, as determined by the Calculation Agent.
<b>"FX Price Source"</b>		means, in respect of a Subject Currency, the price source(s) specified as such in the Applicable Pricing Supplement (or any successor to such price source(s) as determined by the Calculation Agent).
<b>"General Inconvertibility"</b>		means the occurrence of any event that generally makes it impossible to convert a Subject Currency into the Base Currency in the Subject Currency Jurisdiction through customary legal channels.
<b>"General Transferability"</b>	<b>Non-</b>	means the occurrence of any event that generally makes it impossible to deliver (A) the Base Currency from accounts inside the Subject Currency Jurisdiction to accounts outside the Subject Currency Jurisdiction or (B) the Subject Currency between accounts inside the Subject Currency Jurisdiction or to a party that is a non-resident of a Subject Currency Jurisdiction.
<b>"Governmental Authority"</b>		means (i) any <i>de facto</i> or <i>de jure</i> government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or (ii) any other entity (private or public) charged with the regulation of the financial markets (including the central bank), in each case in any relevant jurisdiction.
<b>"Governmental Authority Default"</b>	<b>Authority</b>	means, with respect to any security or indebtedness for borrowed money of, or guaranteed by, any Governmental Authority, the occurrence of a default, event of default or other similar condition or event (however described) including, but not limited to, (A) the failure of timely payment in full of any principal, interest or other amounts due (without



giving effect to any applicable grace periods) in respect of any such security, indebtedness for borrowed money or guarantee, (B) a declared moratorium, standstill, waiver, deferral, Repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for borrowed money or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for borrowed money or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for borrowed money or guarantee. For the purposes of this definition, "any relevant jurisdiction" as used in the definition of "Governmental Authority" shall mean the "Subject Currency Jurisdiction".

**"Illiquidity Disruption"**

means the occurrence of any event in respect of any of the Base Currency, Subject Currency and/or Subject Currencies whereby it becomes impossible for the Calculation Agent to obtain a firm quote for such currency in an amount deemed necessary by the Calculation Agent to hedge the Issuer's obligations under the Notes (in one or more transaction(s)) on the relevant Averaging Date or Settlement Price Date (or, if different, the day on which rates for such Averaging Date or Settlement Price Date would, in the ordinary course, be published or announced by the relevant FX Price Source).

**"Inconvertibility/Non-Transferability"**

means the occurrence of any event which constitutes a General Inconvertibility Disruption Event, a General Non-Transferability Disruption Event, a Specific Inconvertibility Disruption Event and a Specific Non-Transferability Disruption Event.

**"Interest Valuation Date"**

means, in respect of an FX Linked Interest Notes, the date specified as such in the Applicable Pricing Supplement.

**"Intervening Period"**

means such period of time as any person other than the relevant FX Designated Transferee shall continue to be registered as the legal owner of any securities or other obligations comprising the FX Entitlement.

**"Material Change in Circumstance"**

means the occurrence of any event (other than those events specified as Disruption Events) in the Subject Currency Jurisdiction beyond the control of the

parties to a hedging arrangement in respect of the Notes which makes it impossible (A) for a party to fulfil its obligations under the hedging arrangement or (B) generally to fulfil obligations similar to such party's obligations under that hedging arrangement.

**"Maximum Cumulative Days of Postponement"**

means the number of days specified as such in the Applicable Pricing Supplement or, if no such number is specified, 30 calendar days.

**"Maximum Days of Postponement"**

means the number of days specified as such in the Applicable Pricing Supplement or, if no such number is specified, 30 calendar days.

**"Nationalisation"**

means any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives a party to a hedging arrangement in respect of the Notes of all or substantially all of its assets in the Subject Currency Jurisdiction.

**"Number of Settlement Days"**

means, in respect of a Subject Currency, the number (as specified in the Applicable Pricing Supplement) of days on which commercial banks are open (or, but for the occurrence of a Disruption Event would have been open) for business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in the Settlement Day Centre(s) specified as such in the Applicable Pricing Supplement (each, a **"Settlement Day"** and the last such Settlement Day, the **"Final Settlement Day"**). Where no such number or zero is so specified, then such rate shall be for settlement on the same day.

**"Observation Date"**

means the dates specified as such in the Applicable Pricing Supplement or, if any such day is not a Scheduled Trading Day, the immediately preceding Scheduled Trading Day for the relevant Subject Currency and, in the event of an Unscheduled Holiday, subject to adjustment as set out in FX Linked Note Condition 1(b) (Consequences of a Disruption Event) above, unless, in the opinion of the Calculation Agent, the resultant day is a Disrupted Day, in which case the provisions of FX Linked Note Condition 1(b) (*Consequences of a Disruption Event*) shall apply.

**"Price Materiality"**

means that, in the determination of the Calculation Agent, the Primary Rate differs from any Secondary Rate by at least the Price Materiality Percentage or if there are insufficient responses on the relevant Settlement Price Date or Averaging Date to any

survey used to calculate any such rate, then the Price Materiality Percentage will be deemed to be met.

<b>"Price Percentage"</b>	<b>Materiality</b>	means the percentage specified as such in the Applicable Pricing Supplement or, if no such percentage is specified, 3 per cent.
<b>"Price Source Disruption"</b>		means that it becomes impossible to obtain the rate or rates from which the Settlement Price is calculated.
<b>"Primary Rate"</b>		means, in respect of a Subject Currency, the rate specified as such for such Subject Currency in the Applicable Pricing Supplement.
<b>"Redemption Date"</b>	<b>Valuation</b>	means, in respect of an FX Linked Redemption Note, the date specified as such in the Applicable Pricing Supplement.
<b>"Repudiation"</b>		means: <ul style="list-style-type: none"><li>(a) for purposes of the definition of Benchmark Obligation Default, the issuer of, or a party to, as the case may be, the relevant Benchmark Obligation disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of the Benchmark Obligation in any material respect; and</li><li>(b) for purposes of the definition of Governmental Authority Default, the relevant Governmental Authority disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of any security, indebtedness for borrowed money or guarantee of such Governmental Authority in any material respect.</li></ul>
<b>"Scheduled Trading Day"</b>		(a) means a day on which commercial banks are open (or, but for the occurrence of a Disruption Event would have been open) for business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in the Scheduled Trading Day Jurisdiction specified in the Applicable Pricing Supplement provided that where the Subject Currency is Brazilian Real, then notwithstanding the foregoing, if the Settlement Price Date or Averaging Date falls on a date that is not a scheduled day on which commercial banks are open (or, but for the occurrence of a Disruption Event would

have been open) for business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in New York City (an "NYC Business Day"), then no adjustment to such date shall be made on account of the fact that such date is not an NYC Business Day.

**"Secondary Rate"**

means, in respect of a Subject Currency, the rate specified as such for such Subject Currency in the Applicable Pricing Supplement.

**"Settlement Price"**

means:

- (i) in the case of FX Linked Notes relating to a basket of Subject Currencies and in respect of a Subject Currency, the rate of exchange appearing on the FX Price Source at the Valuation Time on (a) if Averaging is not specified in the Applicable Pricing Supplement, the relevant Settlement Price Date or (b) if Averaging is specified in the Applicable Pricing Supplement, an Averaging Date, for the exchange of such Subject Currency per one unit of the Base Currency for settlement on the Final Settlement Day in respect of the Number of Settlement Days, multiplied by the relevant Weighting; and
- (ii) in the case of FX Linked Notes relating to a single Subject Currency, the rate of exchange appearing on the FX Price Source at the Valuation Time on (a) if Averaging is not specified in the Applicable Pricing Supplement, the relevant Settlement Price Date or (b) if Averaging is specified in the Applicable Pricing Supplement, an Averaging Date, for the exchange of such Subject Currency per one unit of the Base Currency for settlement on the Final Settlement Day in respect of the Number of Settlement Days.

**"Settlement Price Date"**

means the Strike Date, Observation Date or Valuation Date, as the case may be.

**"Specified Inconvertibility"**

means the occurrence of any event that makes it impossible for a party to a hedging arrangement in respect of the Notes to convert such amount of the Subject Currency deemed necessary by the Calculation Agent to hedge the Issuer's obligations in respect of the Notes into the Base Currency in the

		Subject Currency Jurisdiction, other than where such impossibility is due solely to the failure by such party to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Trade Date and it is impossible for such party, due to an event beyond the control of such party, to comply with such law, rule or regulation).
<b>"Specific Transferability"</b>	<b>Non-</b>	means the occurrence of any event that makes it impossible for a party to a hedging arrangement in respect of the Notes to deliver (A) the Base Currency from accounts inside the Subject Currency Jurisdiction to accounts outside the Subject Currency Jurisdiction or (B) the Subject Currency between accounts inside the Subject Currency Jurisdiction or to a party that is a non-resident of the Subject Currency Jurisdiction, other than where such impossibility is due solely to the failure by such party to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Trade Date and it is impossible for such party, due to an event beyond the control of such party, to comply with such law, rule or regulation).
<b>"Strike Date"</b>		means the Strike Date specified in the Applicable Pricing Supplement or, if such day is not a Scheduled Trading Day, the immediately preceding Scheduled Trading Day for the relevant Subject Currency and, in the event of an <i>Unscheduled Holiday</i> , subject to adjustment as set out in FX Linked Note Condition 1(c) ( <i>Unscheduled Holiday</i> ) above, unless, in the opinion of the Calculation Agent, the resultant day is a <i>Disrupted Day</i> , in which case the provisions of FX Linked Note Condition 1(b) ( <i>Consequences of a Disruption Event</i> ) shall apply.
<b>"Strike Day"</b>		means each date specified as such in the Applicable Pricing Supplement.
<b>"Strike Period"</b>		means the period specified as the Strike Period in the Applicable Pricing Supplement.
<b>"Subject Currency"</b>		means the currency(ies) specified as such in the Applicable Pricing Supplement (together, " <b>Subject Currencies</b> ").
<b>"Subject Jurisdiction"</b>	<b>Currency</b>	means each country for which the relevant Subject Currency is the lawful currency.
<b>"Unscheduled Holiday"</b>		means a day that is not a Scheduled Trading Day and the market was not aware of such fact (by means of a public announcement or by reference to other

publicly available information) until a time later than 9:00a.m. local time in the principal financial centre of the Subject Currency two Scheduled Trading Days prior to the relevant scheduled Settlement Price Date or Averaging Date.

**"Unwind Costs"**

means the cost to the Issuer and/or its affiliates of unwinding any underlying related hedging arrangements in respect of the Notes, as determined by the Calculation Agent in its sole and absolute discretion

**"Valuation Date"**

means any Interest Valuation Date and/or Redemption Valuation Date, as the case may be, specified in the Applicable Pricing Supplement or, if such day is not a Scheduled Trading Day, the immediately preceding Scheduled Trading Day for the relevant Subject Currency and, in the event of an Unscheduled Holiday, subject to adjustment as set out in FX Linked Note Condition 1(c) (*Unscheduled Holiday*) above, unless, in the opinion of the Calculation Agent, the resultant day is a Disrupted Day, in which case the provisions of FX Linked Note Condition 1(b) (*Consequences of a Disruption Event*) shall apply.

**"Valuation Time"**

means, unless otherwise specified in the Applicable Pricing Supplement, the time at which the FX Price Source publishes the relevant rate or rates from which the Settlement Price is calculated.

**"Weighting"**

means, in relation to a Subject Currency, the percentage specified as such in the Applicable Pricing Supplement.

## ANNEX 4

### ADDITIONAL FALLBACK PROVISIONS

The terms and conditions applicable to Notes for which the relevant Applicable Pricing Supplement specifies that the Additional Fallback Provisions shall apply are set out below and, if applicable, shall apply notwithstanding any other provision of the Terms and Conditions.

#### 1. Additional Fallbacks

##### 1.1 Substitute or Successor Benchmark

If the Calculation Agent determines that an Index Cessation/Benchmark Event has occurred or is existing on any day, the Calculation Agent shall (or, in the case of a Non-Representativeness Event or a Methodology Change Event, may), in its sole and absolute discretion, select a substitute or successor benchmark that the Calculation Agent determines is comparable to the Relevant Benchmark to replace such Relevant Benchmark, and shall replace such Relevant Benchmark by such substitute or successor benchmark, as the case may be, with effect from such date as determined by the Calculation Agent, and such substitute or successor benchmark, as the case may be will be deemed to be such Relevant Benchmark with effect from such date. The Calculation Agent may make such adjustment(s) that it determines to be appropriate, if any, to any one or more of the terms of the Notes including without limitation, any variable or term relevant to the settlement or payment under the Notes, as the Calculation Agent determines appropriate to account for such replacement. If, in respect of a Relevant Benchmark, the Calculation Agent determines that it is unable to identify any substitute or successor benchmark that is comparable to the Relevant Benchmark, the Calculation Agent may determine that the Notes shall be redeemed, in which case the Issuer will cause to be paid to each Noteholder in respect of each Note held by it an amount equal to the Early Redemption Amount in redemption of the Notes.

##### 1.2 Inability to determine the relevant rate following application of all applicable fallbacks

In the event that, following the application of each of the fallbacks set out in the definitions of any Relevant Benchmark, and, if applicable, subject to the application of the Substitute or Successor Benchmark provisions above, the Calculation Agent is unable to determine the Relevant Benchmark, then the Calculation Agent may determine that the Notes shall be redeemed, in which case the Issuer will cause to be paid to each Noteholder in respect of each Note held by it an amount equal to the Early Redemption Amount in redemption of the Notes.

##### 1.3 Non-compliant Fallbacks

Notwithstanding anything else in the Terms and Conditions of the Notes, if, in respect of the Notes, it (a) is or would be unlawful at any time under any applicable law or regulation or (b) would contravene any applicable licensing requirements, in each case, for the Calculation Agent to determine a Relevant Benchmark or make any other determination in respect of the Notes which it would otherwise be obliged to do so under the Terms and Conditions of the Notes (or it would be unlawful or would contravene those licensing requirements were a determination to be made at such time), then (where no other applicable provision in the Terms and Conditions of the Notes results in such determination being made) the Calculation Agent may determine that the Notes shall be redeemed, in which event the Issuer will cause to be paid to each Noteholder in respect of each Note held by it an amount equal to the Early Redemption Amount.

#### 2. Administrator/Benchmark Event

If the Calculation Agent determines that an Administrator/Benchmark Event has occurred or is existing on any day in respect of the Notes and a Relevant Benchmark, the Calculation Agent may determine that the Notes shall be redeemed, in which event the Issuer will cause to be paid to each Noteholder in respect of each Note held by it an amount equal to the Early Redemption Amount.

### 3. **Additional Definitions**

**"Administrator/Benchmark Event"** means, in respect of any Notes and a Relevant Benchmark, the occurrence or existence, as determined by the Calculation Agent, of any of the following events in respect of such Relevant Benchmark:

- (a) a **"Non-Approval Event"**, being any of the following:
  - (i) any authorisation, registration, recognition, endorsement, equivalence decision or approval in respect of the Relevant Benchmark or the administrator or sponsor of the Relevant Benchmark is not obtained;
  - (ii) the Relevant Benchmark or the administrator or sponsor of the Relevant Benchmark is not included in an official register; or
  - (iii) the Relevant Benchmark or the administrator or sponsor of the Relevant Benchmark does not fulfil any legal or regulatory requirement applicable to the Securities or the Relevant Benchmark,

in each case, as required under any applicable law or regulation in order for the Issuer or the Calculation Agent to perform its or their respective obligations in respect of the Notes. For the avoidance of doubt, a Non-Approval Event shall not occur if the Relevant Benchmark or the administrator or sponsor of the Relevant Benchmark is not included in an official register because its authorisation, registration, recognition, endorsement, equivalence decision or approval is suspended if, at the time of such suspension, the continued provision and use of the Relevant Benchmark is permitted in respect of the Notes under the applicable law or regulation during the period of such suspension;

- (b) a **"Rejection Event"**, being the relevant competent authority or other relevant official body rejects or refuses any application for authorisation, registration, recognition, endorsement, an equivalence decision, approval or inclusion in any official register which, in each case, is required in relation to the Relevant Benchmark or the administrator or sponsor of the Relevant Benchmark under any applicable law or regulation for the Issuer or the Calculation Agent to perform its or their respective obligations in respect of the Notes; or
- (c) a **"Suspension/Withdrawal Event"**, being any of the following:
  - (i) the relevant competent authority or other relevant official body suspends or withdraws any authorisation, registration, recognition, endorsement, equivalence decision or approval in relation to the Relevant Benchmark or the administrator or sponsor of the Relevant Benchmark which is required under any applicable law or regulation in order for the Issuer or the Calculation Agent to perform its or their respective obligations in respect of the Notes; or
  - (ii) the Relevant Benchmark or the administrator or sponsor of the Relevant Benchmark is removed from any official register where inclusion in such register is required under any applicable law or regulation in order for the Issuer or the Calculation Agent to perform its or their respective obligations in respect of the Notes.

For the avoidance of doubt, a Suspension/Withdrawal Event shall not occur if such authorisation, registration, recognition, endorsement, equivalence decision or approval is suspended or where inclusion in any official register is withdrawn if, at the time of such suspension or withdrawal, the continued provision and use of the



Relevant Benchmark is permitted in respect of the Notes under the applicable law or regulation during the period of such suspension or withdrawal.

**"Index Cessation/Benchmark Event"** means, in respect of any Notes and a Relevant Benchmark, the occurrence or existence, as determined by the Calculation Agent, of one or more of the following events:

- (a) a public statement or publication of information by or on behalf of the administrator of the Relevant Benchmark announcing that it has ceased or will cease to provide the Relevant Benchmark permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Relevant Benchmark;
- (b) a public statement or publication of information by the regulatory supervisor for the administrator of the Relevant Benchmark, the central bank for the currency of the Relevant Benchmark, an insolvency official with jurisdiction over the administrator for the Relevant Benchmark, a resolution authority with jurisdiction over the administrator for the Relevant Benchmark or a court or an entity with similar insolvency or resolution authority over the administrator for the Relevant Benchmark, which states that the administrator of the Relevant Benchmark has ceased or will cease to provide the Relevant Benchmark permanently or indefinitely, provided that, at the time of the statement or publication, there is no successor administrator that will continue to provide the Relevant Benchmark;
- (c) a public statement or publication of information by the regulatory supervisor for the administrator of the Relevant Benchmark announcing that the Relevant Benchmark is no longer representative of the market or economic reality that it is intended to measure and representativeness will not be restored (a **"Non-Representativeness Event"**); or
- (d) a change to the methodology or formula for the Relevant Benchmark or any other means of calculating the Relevant Benchmark which is material in the context of the Notes, as determined by the Calculation Agent (a **"Methodology Change Event"**).

**"Relevant Benchmark"** means, in respect of any Notes, any benchmark, rate, level, value or other figure utilised in order to determine any amount payable or asset deliverable under the Notes, as specified in the Applicable Pricing Supplement.

## **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**") is the largest bank in South Africa (measured by assets) as at 31 December 2019. SBSA is a wholly-owned subsidiary of Standard Bank Group Limited ("**SBG**"). SBSA is a universal bank providing retail, corporate, commercial and investment banking services to individuals and companies across South Africa. SBSA 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 African markets. 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.

As at 31 December 2019, SBSA Group had total assets of R1,480,746 million (compared to R1,360,262 million as at 31 December 2018) and had loans and advances of R1,026,242 million for the year ended 31 December 2019 (compared to R966,335 million for the year ended 31 December 2018). As at 31 December 2019, SBSA Group had headline earnings of R16,646 million (compared to R15,971 million as at 31 December 2018) and had profit for the year attributable to the ordinary shareholder of R16,398 million (compared to R15,695 million for the year ended 31 December 2018).

Originally founded in 1862, SBSA was a member of Standard Chartered Bank group ("**Standard Chartered**") until 1987. Since that time, SBSA 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, investment, insurance 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 ("**JSE**"), operated by JSE Limited in 1970 and owns a controlling stake in the South African-listed, wealth management group, Liberty Holdings Limited. SBG operates as four business units: (1) Personal & Business Banking, (2) Corporate & Investment Banking, (3) Wealth and (4) Liberty. SBSA is the largest operating subsidiary by total assets and income within the SB Group and represents nearly all of SBG's South African operations in Personal & Business Banking, Wealth and Corporate & Investment Banking.

SBSA operates through three principal business lines:

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

**Personal & Business Banking SA** provides banking and other financial services to individual customers and small-to-medium sized enterprises, in particular, mortgage lending, vehicle and asset finance, card products, transactional products, lending products and wealth products. SBSA also provides mobile phone and internet banking services. For the year ended 31 December 2019, Personal & Business Banking SA recorded profits attributable to the ordinary shareholder of R12,372 million, constituting 75 per cent. of SBSA Group's total profit for the year attributable to the ordinary shareholder (compared to R11,785 million and 75 per cent., respectively, for the year ended 31

December 2018). As at 31 December 2019, assets attributable to Personal & Business Banking SA constituted 40.7 per cent. of SBSA Group's total assets (41.8 per cent. as at 31 December 2018).

**Corporate & Investment Banking SA** provides corporate and investment banking services to governments, parastatals, large corporates, financial institutions and multinational corporates and includes global markets, transactional products and services, client coverage and investment banking. Corporate & Investment Banking SA contributed 32 per cent. of SBSA Group's profit for the year attributable to the ordinary shareholder for the year ended 31 December 2019 (compared to 27 per cent. for the year ended 31 December 2018) and constituted 58 per cent. of its total assets as at 31 December 2019 (compared to 57 per cent. as at 31 December 2018).

**Wealth** offers insurance, investment, and advisory capabilities to high net worth, retail, business and commercial and corporate clients.

SBSA is incorporated in South Africa as a limited liability company and operates under South African law. SBSA's registered address is 9th Floor, Standard Bank Centre, 5 Simmonds Street, Johannesburg, PO Box 7725, Johannesburg 2000, South Africa (telephone number: + 27 11 636 9111).

## **HISTORY**

SBSA is one of the oldest banks in South Africa having originally been incorporated in London as The Standard Bank of British South Africa Limited in 1862. The word "British" was dropped from SBSA'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, transferring complete ownership of the holding company to local South African ownership.

## **CORPORATE STRUCTURE**

### **The SB Group and relationship with SBSA**

SBSA 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 SB Group.

SBG is the ultimate holding company of the SB Group, which is South Africa's largest banking group by assets. SBG is a leading African integrated financial services group offering a full range of banking, investment and insurance and related financial services. SBG's strategic focus is on Africa, and SBG currently operates in 20 countries in sub-Saharan Africa.

The SB Group's competitive positioning as an African banking group 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 entities to Corporate & Investment Banking SA which both enhances the offering to clients and enables SBSA to better manage risk.

*Investors should note that SBG is not a guarantor of, and will not guarantee, any Notes issued by SBSA under the Programme. Investors sole recourse in respect of any Notes issued by SBSA is to SBSA.*

SBG has four business units: Personal & Business Banking, Corporate & Investment Banking, Wealth and Liberty. SBSA represents nearly all of SBG's South African operations in Personal & Business Banking, Wealth and Corporate & Investment Banking and is the largest operating subsidiary by total assets and income within the SB Group.

Personal & Business Banking provides banking and other financial services to individual customers and to small-to-medium sized enterprises in South Africa, African markets and the Channel Islands.

Corporate & Investment Banking provides banking services to clients including governments, parastatals, larger corporates, financial institutions and multinational corporates.

Wealth offers insurance, investment, and advisory capabilities to high net worth, retail, business and commercial and corporate clients.

Liberty provides life insurance and investment management solutions to individual customers, mainly in South Africa.

The following table sets out selected ratios and financial information in relation to SBG as at the dates indicated.

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
Total headline earnings (Rm)	28,207	27,865
Dividends paid (Rm)	18,471	17,576
Total assets (Rm)	2,275,589	2,126,962
Loans and advances (Rm)	1,181,067	1,119,547
Non-performing exposure ratio	3.9	3.8
Return on equity (ROE) (%)	16.8	18.0
Credit loss ratio (%)	0.68	0.56
**Cost-to-income ratio (%)	56.4	57
Total capital adequacy ratio (phased in) <sup>2</sup> (%)	16.7	16.0
Tier 1 capital adequacy ratio (phased in) <sup>2</sup> (%)	14.7	14.1
Total capital adequacy ratio (fully-loaded) (%)	16.6	15.8
Tier 1 capital adequacy ratio (fully-loaded) (%)	14.5	13.6

<sup>1</sup> Banking Activities

<sup>2</sup> After taking into consideration the SARB's three-year phase-in provision for IFRS 9 impairment deductions

Source: The financial information and ratios presented above have been extracted from SBG's consolidated audited financial statements and analysis of financial results booklet as at and for the years ended 31 December 2019 and 31 December 2018.

The following table sets out selected ratios and financial information in relation to each of SBG's principal business units as at the dates indicated:

	Personal & Business Banking <sup>1</sup>		Corporate & Investment Banking		Wealth		Liberty	
	31 December		31 December		31 December		31 December	
	2019	2018	2019	2018	2019	2018	2019	2018
Headline earnings <sup>2</sup> (Rm)	16,510	15,539	11,795	11,202	3,583	3,145	1,855	1,600
Return on equity (ROE) (%)	22.4	21.9	18.1	19.3	35.0	38.0	16.5	15.2
**Cost-to-income ratio (%)	59.2	60.4	53.7	54.4	NA	NA	NA	NA
Credit loss ratio (%)	0.89	0.81	0.32	0.16	NA	NA	NA	NA
Third party funds under management (Rbn)	NA	NA	NA	NA	NA	NA	738	718

<sup>1</sup> Wealth financials included in Personal & Business Banking

<sup>2</sup> For Liberty, the above represents headline earnings attributable to SBG

Source: The financial information and ratios presented above have been extracted from SBG's consolidated audited financial statements and analysis of financial results booklet as at and for the years ended 31 December 2019 and 31 December 2018.

## Share capital and ownership

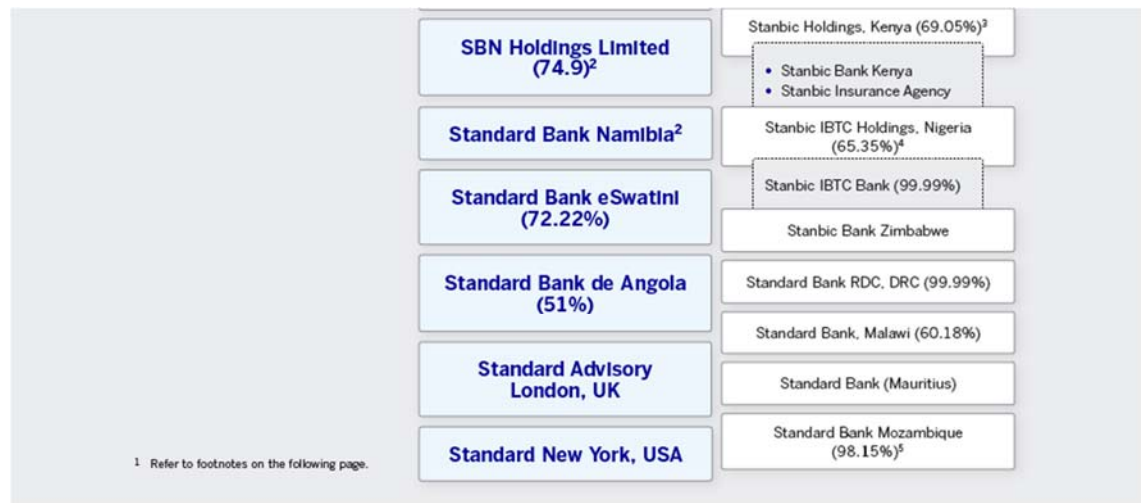
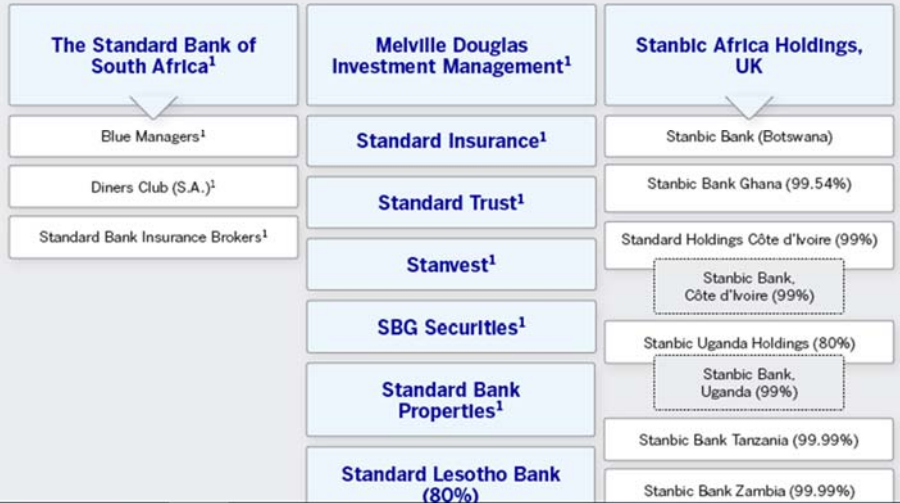
SBSA's authorised share capital is 80,000,000 ordinary shares with a par value of R1 each and 1,000,000,000 non-redeemable, non-cumulative, non-participating preference shares of R0.01 each. As at 31 December 2019, SBSA had issued share capital of 59,997,133 ordinary shares of R1 each, all of which are owned by SBG. The chart below presents SBG's corporate structure as at 31 December 2019:

## Standard Bank Group Limited

The diagram depicts principal subsidiaries only. A full list of the group's subsidiaries and consolidated structured entities is available at the company's registered office. The holding in subsidiaries is 100% unless otherwise indicated.



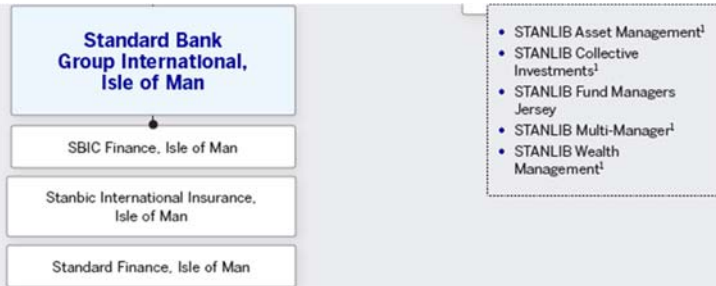
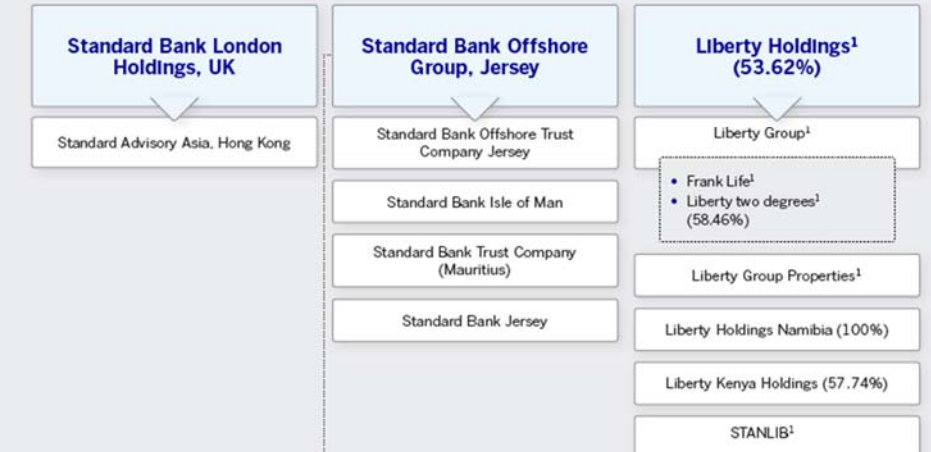
### STANDARD BANK GROUP<sup>1</sup>



<sup>1</sup> Refer to footnotes on the following page.



STANDARD BANK GROUP<sup>1</sup>



1 Incorporated in South Africa.  
 2 Following the listing of SBN Holdings Limited on the Namibian Stock Exchange in November 2019, SBG holds a legal shareholding of 74.9% but accounts for 84.47% of SBN Holdings Limited's attributable earnings as it retains control over the empowerment structure until 31 December 2019.  
 3 Stanbic Holdings Ghana was incorporated to take transfer of certain financial services operations in Ghana, including Stanlib Ghana, and it is the group's intention, subject to necessary regulatory approvals, for Stanbic Holdings Ghana to hold Stanbic Bank Ghana in due course. Standard Holdings Ghana completed the 100% acquisition of Stanlib Ghana from Liberty Holdings Limited in 2019.  
 4 Change in holding from 69.05% to 69.15%.  
 5 Change in holding from 65.35% to 65.70%.

The diagram above depicts principal subsidiaries only. A full list of the group's subsidiaries and consolidated structured entities is available at the company's registered office. The holding in subsidiaries is 100% unless otherwise indicated. The holding in subsidiaries is 100% unless otherwise indicated.



As at 31 December 2019, the ten largest shareholders in SBG beneficially held 43.1 per cent. of SBG's ordinary shares. The table sets out the ten largest shareholders of SBG as at 31 December 2019 and 31 December 2018.

	2019		2018	
	Number of shares		Number of shares	
	<i>(million)</i>	<i>% holding</i>	<i>(million)</i>	<i>% holding</i>
Industrial and Commercial Bank of China	325.0	20.1	325.0	20.1
Government Employees Pension Fund (PIC)	215.0	12.3	199.7	12.3
Allan Gray Balanced Fund	26.2	1.8	29.7	1.8
Alexander Forbes Investments (prev. Investment Solutions)	24.3	1.6	25.8	1.6
Old Mutual Life Assurance Company	20.6	1.5	23.8	1.5
Vanguard Emerging Markets Stock Index Fund	19.3	1.4	22.1	1.4
GIC Asset Management	31.3	1.3	21.0	1.3
Vanguard Total International Stock Index Fund	21.4	1.2	19.4	1.2
Abu Dhabi Investment Authority	13.2	1.0	7.5	0.5
Government of Norway	14.4	0.9	14.8	0.9
	<b>710.7</b>	<b>43.1</b>	<b>688.8</b>	<b>42.6</b>

Source: The shareholdings in the table are determined from the share register and investigations conducted on SBG's behalf in terms of section 56 of the Companies Act. 71 of 2008.

## STRATEGY

SBG divides its business structure into three business pillars: (1) Personal & Business Banking, (2) Corporate & Investment Banking, and (3) Wealth, which provides insurance, investments, fiduciary, specialised banking and multi-generational wealth preservation solutions directly and in partnership with the SB Group's subsidiary, 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 operating subsidiary by total and assets and income within the SB Group.

SBG's strategic focus is on Africa. SBG regards SBSA's business in South Africa as its core operation, from which SBG develops its strategic focus in Africa. As SBG's largest operating subsidiary by total assets and income, SBSA's balance sheet is an important resource for the SB Group. Certain foreign currency transactions that are too large for the balance sheets of SB Group's other 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.

SBSA benefits from diverse revenue streams deriving from its universal bank model, which offers retail, commercial and investment banking activities and wealth solutions. SBSA serves the full value chain of customers in South Africa and covers the spectrum from basic to complex financial services, and from mass market to high net worth individuals, while maintaining high standards of customer service and ensuring that delivery channels are cost effective. SBSA's cost-to-income ratio was 60.2 per cent, from 60.3 per cent in 2018.

The key elements of SBSA's strategy by business unit are as follows:

### **Personal & Business Banking SA**

#### ***Transition to a digital financial services business***

In 2019, 99 per cent. of transactions by volume by SBSA customers were conducted digitally. As the digital revolution transforms the way people bank, SBSA is providing its clients with simpler, more efficient payment and banking products and services through integrated channels, including mobile banking. SBSA completed its core banking transformation programme in 2017. It has improved its mobile and web platforms to provide clients with faster, simpler responses and to create an integrated banking and investment experience. Two-thirds of clients on SBSA's mobile application use it on average four times a week.

As a result of the shift to digital solutions, fewer customers use physical branches. SBSA has digitised approximately 80 per cent. of personal and 50 per cent. of small business branch services. In 2019, SBSA closed 90 branches and, through an enhanced voluntary severance package, reduced related headcount by 1,001 people. Services offered at branches are increasingly oriented toward solving complex problems while continuing to offer everyday banking products.

SBSA's convenient digital banking options include, amongst others, Instant Money, a digital wallet and money transfer platform, which reflected increased transactional volumes in 2019 by 18 per cent. to 27 billion transactions, with a turnover of R20 billion. SnapScan and Shyft offer users greater convenience and cheaper transaction rates than branch or ATM options and are safe and secure. SnapScan is a mobile payments application, providing South Africans with a convenient way to securely pay with their phones. Shyft is a smartphone application and debit card. Shyft allows SBSA customers to buy, send and store foreign currency (USD, EUR, GBP or AUD), directly from their

mobile phone. Cardless cash deposits allow customers to deposit cash at an ATM without using an ATM card. Targeted remittance products enable affordable transfers across national borders.

UCount, SBSA's rewards programme, has provided redemptions and rewards of more than R2.8 billion since the programme's inception in November 2016, up until December 2019. Many clients earn rewards well in excess of the cost of their banking fees. As at 31 December 2019 there were 936,000 UCount clients compared with 863,000 clients as at 31 December 2018.

### ***Use technology to improve efficiency, effectiveness and innovation***

SBSA's transition to a digital financial services business involved substantial updates to its IT architecture, systems and processes, and changes to front-end client services to encourage greater digital uptake. Many processes are being automated and artificial intelligence and machine learning are increasingly being used to deliver value to customers.

The core banking transformation allows teams to originate new accounts faster and simplify processes. It supports the integration of operations, providing real-time banking and a single view of clients. It also strengthens risk management, enabling SBSA to comply with new regulatory requirements. Other important benefits include a robust anti-money laundering system and improved systems availability and security. SBSA's new digital security capabilities include real-time fraud detection and enhanced behavioural analytics.

SBSA has a sourcing and scouting model to identify fintech companies with the potential to provide solutions to better serve customers and businesses, while an internal fintech working group is tasked with identifying suitable fintech partners. SBSA's fintech investment portfolio includes utility providers, enhanced payment capabilities, lending businesses and technology providers.

SBSA prioritises the management of cyber risk and the security of client assets and it continues to invest in enhancing cyber resilience, including investing in improved capabilities to predict, prevent, detect and respond to cyber incidents. SBG's cybersecurity strategy and programme are aligned to security frameworks such as ISO27001, the US National Institute of Standards and Technology, the Information Security Forum's Standard of Good Practice for Information Security, and has been ratified by the SB Group Board. In 2019, the SB Group certified the Africa shared core banking platform against ISO27001. The Standard Bank Cyber Security Academy was launched in July 2019. The first cohort of 75 employees completed the programme at the end of 2019, gaining industry recognised accreditation from various security vendors.

### ***Build excellence through engaged and committed people***

SBSA remains focused on ensuring that its employees are committed to serving its clients, whether they deal with clients directly or support those who do. It provides best-practice people management and aims to create a workplace in which high performance is expected and recognised. SBSA supports continuous learning and development to ensure employees are equipped to meet the demands of a rapidly changing, increasingly digital business model. In 2019, 4,225 employees retrained as universal bankers to broaden their skills, in order to meet changing client needs. Approximately 1,500 employees enrolled in learnership programmes to build critical skills in areas

including data analytics, IT, auditing and finance, and future skills such as data science, robotics, behavioural economics and cloud computing.

SBSA's management believe that engaged and committed people are crucial to delivering excellent client experiences. SBSA spent R645 million on staff training and development in 2019, compared to R710 million in 2018. This amounted to 2.7 per cent of staff costs. 30,980 SBSA employees participated in training programmes or courses in 2019 and 2,708 SBSA employees attended leadership development programmes.

SBG runs an annual group-wide employee survey. The "Employee Net Promoter Score" ("eNPS") for employees in South Africa fell from +23 to +14, largely in response to the uncertainty created by the restructuring of the PBB business in South Africa. Approximately 91 per cent. of employees in South Africa reported that they understood their contribution to the SB Group and 94 per cent. of employees said that they enjoyed good working relationships with their colleagues. 86 per cent. of employees in South Africa reported feeling proud of being associated with the company.

SBSA has made concerted efforts to transform its workforce to more closely reflect the demographics of the markets it serves: 89 per cent. of junior management, 73.2 per cent. of middle management, 49.1 per cent. of senior management and 44.2 per cent. of top management were black people (African, Indian or Coloured) as at 31 December 2019. Black females remain underrepresented in senior and top management roles and this remains a focus area. SBG has set a target to increase the representation of women in executive positions in SBSA from 35 per cent. in 2018 to 40 per cent. by 2021.

## **Corporate and Investment Banking SA**

SBSA'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 banking, finance, trading, transactional, investment and meeting the advisory needs of a wide range of multinational companies and local and regional businesses, financial institutions, governments and state-owned enterprises.

### ***Organic Growth through client focus and capturing deal flow***

SBSA'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 comprehensive understanding of its clients' needs and prospects and to provide them with integrated financial services solutions.

SBSA continues to support the expansion of many corporate clients into African markets beyond South Africa.

### ***Prioritise the delivery of transformation and diversity***

People are the critical success factor in SBSA's efforts to maintain excellent client service and SBSA continues to focus on attracting and retaining quality employees, who are appropriately resourced, developed and empowered to fulfil the commitments made to clients. SBSA has intensified its focus on transformation and diversity. Based on feedback received from employees about obstacles to creating an inclusive workplace environment in South Africa, SBSA has introduced numeric targets

to hasten the transformation of Corporate and Investment Banking SA's culture and its demographic make-up.

***Focus attention and resources on initiatives that will get the basics right***

SBSA continues to refine its processes to ensure a seamless experience for its clients, whilst mitigating risk and increasing efficiency. In 2019, SBSA's client satisfaction index rose to 8.2 from 8.0 in 2018. The client satisfaction index is the measurement of SBSA's clients' levels of satisfaction with SBSA. Client interviews are conducted via an independent subcontractor and take the form of telephonic or email surveys that are based on a structured questionnaire.

**Focus on growing market share in the Wealth segment**

SBSA's view is that a substantial Wealth business comprising insurance, investments, fiduciary and specialised banking is an essential component of a customer-centric universal bank. Equally, in the current regulatory environment, the Wealth business makes an important contribution to enhancing SBSA's return on equity and diversifying SBSA's earnings. SBSA Wealth works in partnership with Personal & Business Banking SA, Corporate and Investment Banking SA and Liberty to market wealth products and services through their distribution channels to their customers; and shares the SB Group's support functions to achieve economies of scale. The strategy is executed through a client-focused operating model which was implemented in 2016 and is now fully embedded. The model uses data analysis and servicing and distribution capabilities to enable a deeper understanding of clients' behaviours and needs. Based on this knowledge, teams develop innovative products and channels and customised portfolios that are comprehensive, transparent and best suited to the individual needs of clients. There is a significant opportunity for SBSA to generate growth from its Wealth activities. During 2019, Wealth won numerous awards, including Best Private Bank for Customer Service in South Africa from The Banker, and Best Global Equity Fund in South Africa at the Morningstar Awards.

**COMPETITIVE STRENGTHS**

SBSA 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 and is one of the four major South African banks. According to the SARB BA 900 Filings as at 31 December 2019, in the 5 product categories tracked by the SARB, SBSA held a market share of 28.8 per cent. of mortgage lending at 31 December 2019 (compared to 29.1 per cent. as at 31 December 2018), 18.7 per cent. of vehicle and asset finance at 31 December 2019 (compared to 19.0 per cent. as at 31 December 2018), 25.1 per cent. of card debtors at 31 December 2019 (compared to 26.1 per cent. as at 31 December 2018), 20.6 per cent. of other loans and advances as at 31 December 2019 (compared to 21.8 per cent. as at 31 December 2018) and 22.6 per cent. of deposits at 31 December 2019 (compared to 22.3 per cent. as at 31 December 2018). According to the SARB BA 900 Filings as at 31 December 2019, SBSA's market share in mortgage loans and corporate priced deposits are the largest of the four major South African banks.

### ***Diverse revenue sources***

As a universal bank, SBSA 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, brokerage reserve and transactional services.

### ***Loan portfolio performance***

SBSA Group's credit loss ratio increased slightly to 57 basis points in 2019 from 56 basis points in 2018. While SBSA's stage 3 loan coverage ratio decreased to 47 per cent. in 2019 from 53 per cent. in 2018, SBSA's non-performing loans as a percentage of total loans remained constant at 3.6 per cent. for both 2019 and 2018. Credit impairment charges increased by 3 per cent. to R5.7 billion (compared to R5.6 billion in 2018). Included in the credit impairment charge for the year ended 31 December 2019 is the release of interest in suspense for pre-legal and cured loan balances. Partially offsetting this, are net credit impairments releases of R238 million being recognised on financial investments and off-balance sheet exposures.

### ***Experienced management team***

SBSA's senior management has experience both at SBSA and at other institutions throughout the banking industry. SBSA'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 Standard Bank Group***

SBSA 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 SB Group.

The SB Group's competitive positioning as an African bank which operates in a number of African countries and 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 Group entities to Corporate & Investment Banking SA which both enhances the offering to clients and enables SBSA to better manage risk.

## **BUSINESS OF SBSA**

### **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, Corporate & Investment Banking SA and Wealth. A central support area (Other services) provides support functions to the two principal divisions, as well as advisory services.

As at 31 December 2019, the SBSA Group's total assets amounted to R1,480,746 million (compared to R1,360,262 million as at 31 December 2018), an increase of 8.9 per cent. For the year ended 31 December 2019, SBSA Group's profit for the year attributable to the ordinary shareholder increased by 4.5 per cent. to R16,398 million from R15,695 million for the year ended 31 December 2018.

For the year ended 31 December 2019, SBSA Group's total income increased by 2 per cent. to R71,503 million, driven by a 4 per cent. increase in net interest income driven by strong balance sheet growth which was supported by an increase in personal lending disbursements, favourable change in products and higher average interest rates, partly offset by increased funding costs. Overall non-interest revenue remained relatively consistent at R29,922 million for the year ended 31 December 2019 (compared to R29,987 million for the year ended 31 December 2018). Net fee and commission revenue decreased marginally to R20,991 million for the year ended 31 December 2019 (compared to R21,185 million for the year ended 31 December 2018), driven by the decline in transactional volumes as customers continued to migrate to digital platforms, in particular the SBG mobile app. SBG mobile app active users increased 55 per cent. to 2.0 million and the value of transactions executed via SBSA's mobile banking platform increased 46 per cent. to R382 billion. Instant Money continued to gain traction with customers; transactional volumes increased 18 per cent. to 26.7 million. Trading revenue for the year ended 31 December 2019 decreased by 1 per cent. driven by decreased foreign exchange and interest rates revenue attributed to the lack of volatility relative to 2018 and divergence of long- and short-term bond rates as well as lower commodity trading revenue as a result of reduced gains from commodity price movements. Other revenue for the year ended 31 December 2019 increased by 8 per cent. compared to the previous financial year, supported by an increase in gross written premium income in insurance driven by annual price increases and a shift in the portfolio to higher cover products and increased rental revenue from growth in the vehicle and asset finance fleet ("VAF") portfolio. Other gains and losses decreased by 14 per cent. as a result of mark-to-market fair value adjustments on loans measured at fair value, coupled with the reduction of this portfolio.

Credit impairment charges for the year ended 31 December 2019 increased to R5.7 billion, a 3 per cent. increase from the year ended 31 December 2018 of R5.5 billion. The growth in credit impairment charges was largely driven by the deterioration of risk grades of corporate clients in South Africa. The elevated credit impairments for PBB was on the back of strong balance sheet growth particularly within unsecured lending.

Disciplined cost management resulted in low operating expenses growth of 2 per cent. despite the incurrence of costs on account of branch reconfigurations.

The following table shows selected ratios for SBSA Group as at, and for the years ended, 31 December 2019 and 31 December 2018:

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Income statement</b>		
Total income (Rm)	71,503	69,818
Headline earnings (Rm)	16,646	15,971
Profit for the year attributable to ordinary shareholders (Rm)	16,398	15,695
<b>Statement of financial position</b>		
Gross loans and advances	1,054,048	995,603
<b>Total assets</b>	<b>1,480,746</b>	<b>1,360,262</b>
<b>Total liabilities</b>	<b>1,374,029</b>	<b>1,259,062</b>
<b>Financial performance</b>		
Gross carrying amount of stage 3 loans and advances (Rm)		
Total gross carrying amount of default exposures	38,107	36,266
Total impairment charges for loans and advances <sup>1</sup> (Rm)	5,962	5,425
Total Stage 1 and 2 credit impairment charge (Rm)	306	(900)
Total Stage 3 credit impairment charge (Rm)	5,656	6,325
Credit loss ratio (%)	0.57	0.56
Stage 3 exposures ratio (%)	3.6	3.6
Return on equity (%)	16.9	16.7
Loans - to- deposit ratio (%)	86.6	87.2
**Cost -to - income ratio (%)	60.2	60.3

<sup>1</sup> Includes post write-off recoveries and modification gains and losses.

The following table shows the contribution of the different divisions within SBSA Group to its major financial indicators as at, and for the years ended, 31 December 2019 and 31 December 2018:

	<b>Personal &amp; Business Banking SA*</b>		<b>Corporate &amp; Investment Banking SA*</b>		<b>Other Services*</b>	
	<b>31 December</b>		<b>31 December</b>		<b>31 December</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<i>(Rm)</i>		<i>(Rm)</i>		<i>(Rm)</i>	
Total assets	602,044	568,997	866,061	775,940	12,641	15,325



Profit for the year attributable to the ordinary shareholder	12,372	11,785	5,258	4,314	(1,232)	(404)
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## Personal & Business Banking SA

SBSA Group'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. Products offered include mortgage lending, vehicle and asset finance, lending products, card products to individuals and small and medium sized businesses, transactional products, as well as wealth and bancassurance products.

At 31 December 2019, it operated 528 branches and loan centres and 6,678 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.

For the year ended 31 December 2019, Personal & Business Banking SA recorded profit for the year attributable to ordinary shareholders of R12,372 million, an increase of 5.0 per cent. compared to the year ended 31 December 2018. Net interest income of R32,489 million for the year ended 31 December 2019 constituted 61.9 per cent. of the division's total income (compared to R31,394 million and 61.8 per cent. for the year ended 31 December 2018), Non-interest revenue for the year ended 31 December 2019 amounted to R20,031 million, an increase of 3 per cent. compared to the year ended 31 December 2018, largely due to higher volumes of electronic banking transactions, particularly relating to ATM usage as well as "Instant Money and Business Online" transactions. Credit impairment charges for the year ended 31 December 2019 amounted to R5,039 million, an increase of 11.2 per cent. compared to the year ended 31 December 2018, attributed to strong asset growth and increased defaults as a consequence of the challenging economic climate in South Africa. Total operating expenses for the year ended 31 December 2019 amounted to R30,283 million, an increase of 1.6 per cent.

The following table presents a summary of Personal & Business Banking SA's main performance indicators for the years ended 31 December 2019 and 31 December 2018.

	31 December	
	2019	2018
	<i>(Rm)</i>	
Net interest income	32,489	31,394
**Non-interest revenue	20,031	19,446
<b>Total income</b>	<b>52,520</b>	<b>50,840</b>
Credit impairment charges	(5,039)	(4,532)
<b>Net income before operating expenses</b>	<b>47,481</b>	<b>46,308</b>
<b>Operating expenses</b>	<b>(30,283)</b>	<b>(29,804)</b>
Staff costs	(10,144)	(9,825)
**Other operating expenses	(20,139)	(19,979)

<b>Net income before capital items and equity accounted earnings</b>	<b>17,198</b>	<b>16,504</b>
Share of profits from associates and joint ventures	37	36
Non-trading and capital related items	(73)	(46)
<b>Net income before indirect taxation</b>	<b>17,162</b>	<b>16,494</b>
Indirect taxation	(345)	(391)
<b>Profit before direct taxation</b>	<b>16,817</b>	<b>16,103</b>
Direct taxation	(4,281)	(4,177)
Attributable to non-controlling interest	(4)	0
Attributable to other equity instrument holders	(160)	(141)
<b>Profit for the year attributable to ordinary shareholders</b>	<b>12,372</b>	<b>11,785</b>
<b>Headline earnings</b>	<b>12,427</b>	<b>11,819</b>
<b>Gross loans and advances</b>	<b>595,041</b>	<b>562,600</b>
<b>Total assets</b>	<b>602,044</b>	<b>568,997</b>
<b>Total liabilities</b>	<b>545,960</b>	<b>513,857</b>

The following table presents selected ratios for Personal & Business Banking SA's for the years ended 31 December 2019 and 31 December 2018.

	31 December	
	2019	2018
	(%)	
Credit loss ratio	0.88	0.83
Stage 3 Exposures	5.6	5.3

The following table presents the stage 3 exposures ratios for Personal & Business Banking SA's products for the years ended 31 December 2019 and 31 December 2018.

	31 December	
	2019	2018
	(%)	
<b>Stage 3 Exposures ratios:</b>		
Mortgage loans	5.5	4.9

Vehicle and asset finance	4.4	3.7
Card debtors	4.3	5.6
Other loans and advances	7.5	7.6

### ***Mortgage loans***

Mortgage lending provides residential accommodation loans to individual customers. Gross mortgage loans increased 4.3 per cent. for the year ended 31 December 2019 to R357,182 million (compared to R342,511 million for the year ended 31 December 2018), constituting 60.0 per cent. of loans and advances by the Personal & Business Banking SA business unit compared to 60.9 per cent. for the year ended 31 December 2018.

Improved performance within the mortgage loans portfolio resulted in a decrease in the credit loss ratio to 0.20 per cent. for the year ended 31 December 2019 (compared to 0.24 per cent. for the year ended 31 December 2018), whilst credit impairment charges amounted to R711 million for the year ended 31 December 2019 (compared to R784 million for the year ended 31 December 2018). For the financial year ended 31 December 2019, R19,477 million of gross mortgage loans (5.5 per cent. of gross mortgage loans) are categorised as Stage 3 (compared to R16,899 million and 4.9 per cent. of gross mortgage loans for the financial year ended 31 December 2018).

### ***Vehicle and asset finance***

Vehicle and asset finance provides finance to retail market customers, finances vehicles and equipment to the business market and fleet solutions. As at 31 December 2019, gross loans and advances in vehicle and asset finance amounted to R84,948 million (compared to R79,343 million as at 31 December 2018), an increase of 7.0 per cent. The credit loss ratio for vehicle and asset finance increased to 0.99 per cent. for the year ended 31 December 2019 from 0.72 per cent. for the year ended 31 December 2018.

### ***Card debtors***

SBSA 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 SBSA's strategic focus on the emerging middle-class consumer segment in South Africa. SBSA 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 2019, SBSA's credit card debtors increased by 4.3 per cent. to R34,010 million (compared to R32,608 million for the year ended 31 December 2018). The credit loss ratio for gross card debtors decreased to 2.96 per cent. as at 31 December 2019, from 2.98 per cent. as at 31 December 2018 largely due to card issuing turnover as a result of higher customer utilisation following increases in credit limits.

### ***Transactional products***

Transactional products provides a comprehensive suite of transactional, savings, investment, trade, foreign exchange, payment and liquidity management solutions made accessible through a range of physical and electronic channels such as ATMs, internet banking, mobile banking, telephone banking and branches.

### ***Lending products***

Lending products offers lending products to retail and business markets. The business markets lending offerings constitute a comprehensive suite of lending products, structured working capital finance and commercial property finance solutions.

### ***Wealth (including bancassurance) products***

The Wealth offering includes short-and long-term insurance products, comprising simple embedded products (including homeowners' insurance, funeral cover, household contents and vehicle insurance, accident and health 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 include financial planning and modelling, integrated fiduciary services (including will drafting and custody services), trust, other tailored banking and wealth management solutions to private high net worth individuals to meet their domestic and international needs.

### **Corporate & Investment Banking SA**

The Corporate & Investment Banking SA business unit comprises four main product groupings, namely: Global Markets, Transactional Products and Services, Investment Banking and 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 advisory services. This business unit's clients include governments, parastatals, larger corporates, financial institutions and multinational corporates in South Africa and sub-Saharan Africa.

Corporate & Investment Banking SA's profit for the year attributable to the ordinary shareholder increased by 21.9 per cent. from R4,314 million for the year ended 31 December 2018 to R5,258 million for the year ended 31 December 2019. Non interest revenue decreased by 3.57 per cent. during 2019 impacted by a highly competitive market combined with a low growth environment. Credit impairment charges decreased by 33.2 per cent. during 2019 as a result of impairments released on off balance sheet exposure. Operating expenses increased by 2.17 per cent. to R13,252 million for the year ended 31 December 2019.

The value of the total gross loans and advances amounted to R458,846 million as at 31 December 2019 (compared to R432,035 million as at 31 December 2018), which represents 43.5 per cent. of SBSA's total gross loans and advances as at 31 December 2019 (compared to 43.4 per cent. of SBSA's total gross loans and advances as at 31 December 2018).

### ***Global Markets***

Global Markets comprises trading and risk management solutions across financial markets, including foreign exchange, money markets, interest rates, equities, credit and commodities.

### ***Transactional Products and Services***

Transactional products and services comprise a comprehensive suite of cash management, international trade finance, working capital and investor services solutions.

### ***Investment Banking***

Investment banking comprises a full suite of advisory and financing solutions, from term lending to structured and specialised products across equity and debt capital markets.

### *Client Coverage*

Client Coverage provides in-depth sector expertise to develop relevant client solutions and foster client relationships.

The table below presents a summary of the CIB SA division's main performance indicators for the years ended 31 December 2019 and 31 December 2018.

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>(Rm)</i>	
Net interest income	10,413	9,268
Non-interest revenue	10,024	10,395
<b>Total income</b>	<b>20,437</b>	<b>19,663</b>
Credit impairment charges	(685)	(1025)
<b>Net income after credit impairment charges</b>	<b>19,752</b>	<b>18,638</b>
<b>Revenue sharing agreements<sup>1</sup></b>	<b>(614)</b>	<b>(722)</b>
<b>Operating expenses</b>	<b>(13,252)</b>	<b>(12,970)</b>
Staff costs	(4,507)	(4,357)
Other operating expenses	(8,745)	(8,613)
<b>Net income before capital items and equity accounted earnings</b>	<b>5,886</b>	<b>4,946</b>
Share of profits from associates and joint ventures	2	93
Non-trading and capital related items	(189)	(343)
<b>Net income before indirect taxation</b>	<b>5,699</b>	<b>4,696</b>
Indirect taxation	(141)	(148)
<b>Profit before direct taxation</b>	<b>5,558</b>	<b>4,548</b>
Direct taxation	(71)	(90)
Attributable to non-controlling interest	0	0
Attributable to other equity instrument holders	(229)	(144)
<b>Profit for the year attributable to ordinary shareholders</b>	<b>5,258</b>	<b>4,314</b>
<b>Headline earnings</b>	<b>5,403</b>	<b>4,561</b>
<b>Gross loans and advances</b>	<b>458,846</b>	<b>432,035</b>
<b>Total assets</b>	<b>866,061</b>	<b>775,940</b>

**Total liabilities**

**814,392**

**727,707**

<sup>1</sup>Revenue sharing agreements are agreements that allow for the sharing of income with other SBG companies

The following table presents selected ratios for CIB SA for the years ended 31 December 2019 and 31 December 2018.

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	(%)	
Credit loss ratio	0.20	0.21
Stage 3 exposure ratio	1.0	1.6

The following table presents selected financial information for Corporate & Investment Banking SA's products for the years ended 31 December 2019 and 31 December 2018.

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
<b>Stage 3 Exposure ratios (%):</b>		
Corporate and sovereign lending	1.2	2.1
Bank lending		
<b>Credit loss ratios (%):</b>		
Corporate and sovereign lending	0.25	0.28
Bank lending	0.010	
<b>Gross loans and advances (Rm):</b>		
Corporate and Sovereign Lending	372,103	337,851
Bank Lending	86,743	94,184

## 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, vehicle and asset finance, card lending and overdrafts. A significant portion of SBSA's advances to commercial and corporate borrowers consist of advances made to companies engaged in manufacturing, finance and service industries.

As at 31 December 2019, SBSA Group's total net loans and advances to customers amounted to R1,054,048 million (compared to R995,603 million as at 31 December 2018), an increase of 6 per cent.

Expected credit losses on loans and advances amounted to R27,806 million for the year ended 31 December 2019, a decrease of 5 per cent. from the year ended 31 December 2018.

### Loan portfolio by category of loans and advances

The following table sets out the composition of SBSA's advances by category of loan or advance as at 31 December 2019 and 31 December 2018.

	31 December	
	2019	2018 <sup>1</sup>
	<i>(Rm)</i>	
<b>Loans and advances measured at fair value through profit or loss</b>	<b>161</b>	<b>968</b>
<b>Net loans and advances measured at amortised cost</b>	<b>1,026,081</b>	<b>965,367</b>
<b>Gross loans and advances measured at amortised cost</b>	<b>1,053,887</b>	<b>994,635</b>
Mortgage loans	357,182	342,511
Vehicle and asset finance	84,948	79,343
Card debtors	34,010	32,608
Corporate and sovereign lending	372,103	337,851
Bank lending	86,743	94,184
Other loans and advances	118,901	108,138
<b>Credit impairments for loans and advances</b>	<b>(27,806)</b>	<b>(29,268)</b>
<b>Net loans and advances</b>	<b>1,026,242</b>	<b>966,335</b>
Comprising:		
Gross loans and advances	1,054,048	995,603
Less: credit impairments	(27,806)	(29,268)

<sup>1</sup> Restated. During the year, the SBSA Group and SBSA revised the presentation of balances with fellow SBG companies (i.e. intergroup balances) in order to ensure consistency with the international banking sector.



## Loan portfolio by industry sector

The following table sets out the composition of SBSA's advances by industry sector as at 31 December 2019 and 31 December 2018.

	31 December	
	2019	2018 <sup>1</sup>
	<i>(Rm)</i>	
<b>Segmental analysis – industry</b>		
Agriculture	26,106	22,216
Construction	8,574	9,228
Electricity	22,540	16,629
Finance, real estate and other business services	304,214	323,095
Individuals <sup>2</sup>	485,896	424,854
Manufacturing	55,897	54,307
Mining	29,539	25,367
Transport	37,359	30,089
Wholesale	57,474	46,664
Other services	26,449	43,154
<b>Gross loans and advances</b>	<b>1,054,048</b>	<b>995,603</b>

1 Restated. During the year, the SBSA Group and SBSA revised the presentation of balances with fellow SBG companies (i.e. intergroup balances) in order to ensure consistency with the international banking sector.

2 Includes mortgages.

## Geographical concentration of loans

The following table sets out the distribution of SBSA's loans and advances by geographic area where the loans are recorded as at 31 December 2019 and 31 December 2018.

	31 December	
	2019	2018
	<i>(Rm)</i>	
<b>Segmental analysis by geographic area</b>		
South Africa	891,100	826,350
Sub-Saharan Africa	81,544	69,693
Other countries	81,404	99,560
<b>Gross loans and advances</b>	<b>1,054,048</b>	<b>995,603</b>

1 Restated. During the year, the SBSA Group and SBSA revised the presentation of balances with fellow SBG companies (i.e. intergroup balances) in order to ensure consistency with the international banking sector.



## Credit impairments for loan and advances

The tables below present a reconciliation of the credit impairments for loans and advances for the years ended 31 December 2019 and 31 December 2018.

	31 December	
	2019	2018 <sup>1</sup>
	<i>Rm</i>	
<b>Opening Expected Credit Losses ("ECL") - 1 January</b>	29,268	28,171
Net ECL raised and released	6,898	6,058
Impaired accounts written off	(11,017)	(7,473)
Exchange and other movements	2,657	2,512
<b>Closing ECL - 31 December</b>	<b>27,806</b>	<b>29,268</b>
Comprising:		
Stage 1 ECL	3,931	4,671
Stage 2 ECL	5,908	5,133
Stage 3 ECL	17,967	19,464
	<b>27,806</b>	<b>29,268</b>

<sup>1</sup> Restated. During the year, the SBSA Group and SBSA revised the presentation of balances with fellow SBG companies (i.e. intergroup balances) in order to ensure consistency with the international banking sector.

The table below sets out a segmental analysis of stage 3 loans and advances by industry as at 31 December 2019 and 31 December 2018.

	31 December	
	2019	2018 <sup>1</sup>
	<i>(Rm)</i>	
<b>Segmental analysis of specific impairments by industry</b>		
Agriculture	858	671
Construction	833	716
Electricity	61	467
Finance, real estate and other business services	1,430	1448
Individuals	13,121	11,813
Manufacturing	697	1173

Mining	109	145
Transport	211	390
Wholesale	481	2515
Other services	166	126
	<b>17,967</b>	<b>19,464</b>

1 Restated. During the year, the SBSA Group and SBSA revised the presentation of balances with fellow SBG companies (i.e. intergroup balances) in order to ensure consistency with the international banking sector.

## Credit portfolio characteristics and metrics

### Maximum exposure to credit risk

Debt financial assets at amortised cost and fair value through other comprehensive income as well as off-balance sheet exposure subject to an ECL are analysed and categorised based on credit quality using SBSA's master rating scale. SBSA uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes). Exposures within Stage 1 and 2 are rated between 1 to 25 in terms of SBSA's master rating scale. These ratings are mapped to probability of default ("**PDs**") by means of calibration formulae that use historical default rates and other data from the applicable Person & Business Banking SA portfolios. SBSA distinguishes between through-the-cycle PDs and point-in-time PDs, and utilises both measures in decision-making, managing credit risk exposures and measuring impairments against credit exposures. Exposures which are in default are not considered in the 1 to 25-point master rating scale.

### Default

SBSA's definition of default has been aligned to its internal credit risk management definitions and approaches. While the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the Basel III definition) as occurring at the earlier of:

- where, in SBSA's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

SBSA does not rebut IFRS 9's 90 days past due rebuttable presumption.

A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets:

- significant financial difficulty of the borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower);
- a breach of contract, such as default or delinquency in interest and/or principal payments;
- disappearance of active market due to financial difficulties;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;  
or
- where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider.

Exposures which are overdue for more than 90 days are also considered to be in default.

## **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 Corporate Governance for South Africa (King IV). 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 executive are separate. The board composition is both qualitatively and quantitatively balanced in terms of skills, demographics, gender, nationality, experience and tenure. There is a clear division of responsibilities ensuring that no one director has unfettered powers in the decision-making process.

The board has delegated certain functions to its committees in line with its governance framework. This enables the board to allocate sufficient time to all matters within its sphere, including execution of strategy and forward-looking agenda items. 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 SBSA Board monitors oversight over compliance through its board committees. The board has delegated the management of the day-to-day business and affairs of SBSA to the Chief Executive. The executive committee assists the chief executive, subject to statutory parameters and matters reserved for the SBSA Board.

### **Board of Directors**

As at 4 March 2020, SBSA is managed by one independent non-executive chairman, three non-executive directors, three executive directors and 12 independent non-executive directors.

The members of the SBSA Board as at the date of this Programme Memorandum are listed below:

<b>Name</b>	<b>Title</b>	<b>Year Joined SBSA Board</b>
Thulani Gcabashe	Chairman, Independent, non-executive	2003
Jacko Maree	Deputy chairman, non-executive	2016
Maureen Erasmus	Independent, non-executive	2019
Geraldine Fraser-Moleketi	Independent, non-executive	2016
Dr Xueqing Guan	Independent, non-executive	2020
Trix Kennealy	Independent, non-executive	2016
Nomgando Matyumza	Independent, non-executive	2016
Kgomotso Moroka	Non-executive	2003
Nonkululeko Nyembezi	Independent, non-executive	2020
Martin Oduor – Otieno	Independent, non-executive	2016
André Parker	Independent, non-executive	2014
Atedo Peterside	Independent, non-executive	2014
Myles Ruck	Independent, non-executive	2006
Peter Sullivan	Independent, non-executive	2013
John Vice	Independent, non-executive	2016
Lubin Wang	Non-executive director	2017
Lungisa Fuzile	Chief executive, SBSA	2018
Sim Tshabalala	Chief Executive, SBG	2008
Arno Daehnke	Executive – Group Financial Director	2016

### **Changes to the SBSA's Board**

For the year under review, four new independent non-executive directors, Dr Xueqing Guan, Priscillah Mabelane and Nonkululeko Nyembezi were appointed to the SBSA Board. Dr Hao Hu, a non-executive director, resigned from the SBSA Board on 24 February 2020; Peter Sullivan, a non-executive director, retired from the SBSA Board on 27 May 2020 and Priscillah Mabelane, a non-executive director, resigned from the SBSA Board on 31 July 2020.

The business address of the members of the SBSA Board is SBSA'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.

<b>CHAIRMAN AND DEPUTY CHAIRMAN</b>			
<p><b>Thulani Gcabashe / 62</b></p> <p><i>Chairman and independent non-executive director, Standard Bank Group (SBG) and The Standard Bank of South Africa (SBSA)</i></p> <p><i>Appointed:</i></p> <p>1 July 2003, appointed chairman 28 May 2015</p>	<p>&gt; BA (Botswana and Swaziland)</p> <p>&gt; Master's degree in urban and regional planning (Ball State University, USA)</p>	<p><b>External directorships:</b></p> <p>&gt; Built Environmental Africa Capital (chairman) and related entities</p> <p>&gt; African Olive Trading 160</p> <p>&gt; Lightsource (Pty) Ltd</p> <p><b>Previous roles:</b></p> <p>&gt; chairman of Imperial Holdings</p> <p>&gt; chief executive officer (CEO) of Eskom between 2000 and 2007</p>	<p>DAC (chairman)</p> <p>GRCMC</p> <p>REMCO</p> <p>GSEC</p> <p>LEC</p>
<p><b>Jacko Maree / 64</b></p> <p><i>Deputy chairman, SBG and non-executive director, SBG and SBSA</i></p> <p><i>Appointed:</i></p> <p>21 November 2016</p>	<p>&gt; BCom (University of Stellenbosch)</p> <p>&gt; BA and MA (politics and economics) (Oxford)</p> <p>&gt; PMD (Harvard)</p>	<p><b>Appointments held within the group:</b></p> <p>&gt; Liberty Holdings (chairman)</p> <p>&gt; Liberty Group (chairman)</p> <p><b>Other governing body and professional positions held:</b></p> <p>&gt; China Investment Corporation – International advisory council</p> <p>&gt; Special Envoy on Investments to RSA</p> <p><b>External directorships:</b></p> <p>&gt; Nelson Mandela Children's Hospital</p> <p>&gt; Phembani Group</p> <p><b>Previous roles:</b></p> <p>&gt; chief executive of the group for more than 13 years</p> <p>&gt; senior banker focusing on key client relationships</p>	<p>GMAC (chairman)</p> <p>GRCMC</p> <p>REMCO</p> <p>GSEC</p> <p>LEC</p>

<b>LEAD INDEPENDENT DIRECTOR</b>			
<p><b>Trix Kennealy / 61</b></p> <p><i>Independent non-executive director, SBG and SBSA</i></p> <p><i>Appointed:</i></p> <p>21 November 2016</p>	<p>&gt; BCom (University of Pretoria)</p> <p>&gt; BCom (Hons) (University of Johannesburg)</p>	<p><b>External directorships:</b></p> <p>&gt; Sasol</p> <p><b>Previous roles:</b></p> <p>&gt; chief financial officer of the South African Revenue Service</p> <p>&gt; chief operating officer of ABSA corporate and business bank</p>	<p>GAC (chairman)</p> <p>GRCMC</p> <p>REMCO</p>

<b>EXECUTIVE DIRECTORS</b>			
<p><b>Sim Tshabalala / 52</b></p> <p><i>Group chief executive, SBG and executive director, SBSA</i></p> <p><i>Appointed:</i></p> <p>7 March 2013</p>	<ul style="list-style-type: none"> <li>&gt; BA</li> <li>&gt; LLB (Rhodes University)</li> <li>&gt; LLM (University of Notre Dame, USA)</li> <li>&gt; HDip Tax (University of Witwatersrand)</li> <li>&gt; AMP (Harvard)</li> </ul>	<p><b>Appointments held within the group:</b></p> <ul style="list-style-type: none"> <li>&gt; Stanbic IBTC Bank (chairman)</li> <li>&gt; Liberty Holdings</li> <li>&gt; Liberty Group</li> <li>&gt; Tutuwa Community Holdings</li> </ul> <p><b>Other governing body and professional positions held:</b></p> <ul style="list-style-type: none"> <li>&gt; Institute of International Finance</li> <li>&gt; International Monetary Conference</li> <li>&gt; Palaeontological Scientific Trust</li> </ul>	<p>GTIC</p> <p>GSEC</p> <p>GMAC</p> <p>LEC</p>
<p><b>Arno Daehnke / 52</b></p> <p><i>Group financial director, SBG and executive director, SBSA</i></p> <p><i>Appointed:</i></p> <p>1 May 2016</p>	<ul style="list-style-type: none"> <li>&gt; BSc, MSc (University of Cape Town)</li> <li>&gt; PhD (Vienna University of Technology)</li> <li>&gt; MBA (Milpark Business School)</li> <li>&gt; AMP (Wharton)</li> </ul>	<p><b>Appointments held within the group:</b></p> <ul style="list-style-type: none"> <li>&gt; Stanbic Africa Holdings</li> </ul> <p><b>Previous roles:</b></p> <ul style="list-style-type: none"> <li>&gt; head of the group's treasury and capital management function</li> </ul>	<p>GTIC</p> <p>GMAC</p> <p>LEC</p>

<b>NON-EXECUTIVE DIRECTORS</b>			
<p><b>Maureen Erasmus / 59</b></p> <p><i>Independent non-executive director, SBG and SBSA</i></p> <p><i>Appointed:</i></p> <p>12 July 2019</p>	<ul style="list-style-type: none"> <li>&gt; BCom (University of Cape Town)</li> </ul>	<p><b>Other governing body and professional positions held:</b></p> <ul style="list-style-type: none"> <li>&gt; African Leadership Institute</li> </ul> <p><b>External directorships:</b></p> <ul style="list-style-type: none"> <li>&gt; Credit Suisse (UK)</li> <li>&gt; PSI Global Healthcare</li> <li>&gt; Mizuho International Plc</li> </ul> <p><b>Previous roles:</b></p> <ul style="list-style-type: none"> <li>&gt; UK partner, Bain &amp; Company</li> </ul>	<p>REMCO</p> <p>GAC</p>



<p><b>Geraldine Fraser-Moleketi / 59</b></p> <p><i>Independent non-executive director, SBG and SBSA</i></p> <p><i>Appointed:</i></p> <p>21 November 2016</p>	<ul style="list-style-type: none"> <li>&gt; Master's degree in public administration (University of Pretoria)</li> <li>&gt; Doctorate in Philosophy (Honoris Causa) (Nelson Mandela University)</li> <li>&gt; Fellow of the Institute of Politics (Harvard)</li> </ul>	<p><b>Other governing body and professional positions held:</b></p> <ul style="list-style-type: none"> <li>&gt; UN economic and social council, committee of experts of public administration (chairman)</li> <li>&gt; Nelson Mandela University (chancellor)</li> <li>&gt; Mapungubwe Institute for Strategic Reflection</li> <li>&gt; Government Technical Advisory Centre Winter School Advisory Panel</li> </ul> <p><b>External directorships:</b></p> <ul style="list-style-type: none"> <li>&gt; Exxaro Resources</li> </ul> <p><b>Previous roles:</b></p> <ul style="list-style-type: none"> <li>&gt; special envoy on gender at African Development Bank Cote d'Ivoire</li> <li>&gt; director of the UN development programme's global democratic governance group</li> <li>&gt; minister of Welfare and Population Development from 1996 to 1999, and Public Service and Administration from 1999 to 2008</li> <li>&gt; ISID Advisory Board McGill University Canada.</li> </ul>	<p>DAC</p> <p>GRCMC</p> <p>GSEC</p>
<p><b>Dr Xueqing Guan</b></p> <p><i>Deputy chairman, SBG</i></p> <p><i>Independent non-executive director, SBG and SBSA</i></p> <p><i>Appointed:</i></p> <p>1 August 2020</p>	<ul style="list-style-type: none"> <li>&gt; Doctorate degree in economics (Southwestern University of Finance and Economics, China)</li> <li>&gt; Bachelor's degree (Sichuan Academy of Finance and Economics)</li> </ul>	<p><b>Appointments held:</b></p> <ul style="list-style-type: none"> <li>&gt; Board Secretary of ICBC</li> </ul> <p><b>Previous roles:</b></p> <ul style="list-style-type: none"> <li>&gt; Head of Suining Branch in Sichuan</li> <li>&gt; Representative of Frankfurt Representative Office and Deputy General Manager of Frankfurt Branch</li> <li>&gt; Deputy Head of Sichuan Branch</li> <li>&gt; Deputy Head of Sichuan Branch and General Manager of Banking Department of Sichuan Branch</li> <li>&gt; Head of Hubei Branch and Sichuan Branch</li> <li>&gt; General Manager of Corporate Strategy and Investor Relations Department of ICBC.</li> </ul>	<p>None</p>

<p><b>Nomgando Matyumza / 57</b></p> <p><i>Independent non-executive director, SBG and SBSA</i></p> <p><i>Appointed:</i></p> <p>21 November 2016</p>	<p>&gt; BCompt (Hons) (University of Transkei)</p> <p>&gt; LLB (University of Natal)</p> <p>&gt; CA (SA)</p>	<p><b>External directorships:</b></p> <p>&gt; Hulamin</p> <p>&gt; Sasol</p> <p><b>Previous roles:</b></p> <p>&gt; deputy chief executive at Transnet Pipelines</p> <p>&gt; non-executive director on the boards of Cadiz Limited, Transnet SOC Limited, Ithala Development Finance Corporation and WBHO</p>	<p>GRCMC</p> <p>REMCO</p> <p>GAC</p>
<p><b>Kgomotso Moroka / 65</b></p> <p><i>Non-executive director, SBG and SBSA</i></p> <p><i>Appointed:</i></p> <p>1 July 2003</p>	<p>&gt; BProc (University of the North)</p> <p>&gt; LLB (University of the Witwatersrand)</p>	<p><b>Other governing body and professional positions held:</b></p> <p>&gt; member of the Johannesburg Society of Advocates</p> <p><b>External directorships:</b></p> <p>&gt; Kalagadi Manganese</p> <p>&gt; Royal Bafokeng Platinum (chairman)</p> <p>&gt; Temetayo (chairman)</p> <p>&gt; Multichoice Group Limited</p> <p>&gt; Multichoice South Africa Holdings</p> <p>&gt; Netcare</p> <p><b>Previous roles:</b></p> <p>&gt; non-executive director of South African Breweries</p>	<p>GSEC (chairman)</p> <p>DAC</p> <p>GRCMC</p>
<p><b>Nonkululeko Nyembezi / 59</b></p> <p><i>Independent non-executive director, SBG and SBSA</i></p> <p><i>Appointed:</i></p> <p>1 January 2020</p>	<p>&gt; BSc (Hons) (University of Manchester)</p> <p>&gt; MSc (electrical engineering) (California Institute of Technology)</p> <p>&gt; MBA (Open University Business School, UK)</p>	<p><b>External directorships:</b></p> <p>&gt; JSE Limited</p> <p>&gt; Anglo American Plc</p> <p>&gt; Macsteel Service Centres South Africa (Pty) Limited</p> <p>&gt; CEO and executive director of Ichor Coal N.V</p> <p><b>Previous roles:</b></p> <p>&gt; CEO of ArcelorMittal South Africa</p> <p>&gt; chairman of Alexander Forbes Group Holdings</p> <p>&gt; non-executive director of Old Mutual</p>	

<p><b>Martin Oduor-Otieno / 63</b></p> <p><i>Independent non-executive director, SBG and SBSA</i></p> <p><i>Appointed:</i></p> <p>1 January 2016</p>	<ul style="list-style-type: none"> <li>&gt; BCom (University of Nairobi)</li> <li>&gt; CPA (Kenya)</li> <li>&gt; Executive MBA (ESAMI/Maastricht Business School)</li> <li>&gt; Honorary Doctor of Business Leadership (KCA University)</li> <li>&gt; AMP (Harvard),</li> <li>&gt; Fellow at the Institute of Bankers (Kenya)</li> </ul>	<p><b>Other governing body and professional positions held:</b></p> <ul style="list-style-type: none"> <li>&gt; SOS Children’s Villages International</li> <li>&gt; fellow of the Institute of Certified Public Accountants (Kenya)</li> </ul> <p><b>External directorships:</b></p> <ul style="list-style-type: none"> <li>&gt; GA Life Insurance Company</li> <li>&gt; British American Tobacco Kenya</li> <li>&gt; East African Breweries</li> <li>&gt; Kenya Airways</li> </ul> <p><b>Previous roles:</b></p> <ul style="list-style-type: none"> <li>&gt; CEO of the Kenya Commercial Bank Group</li> <li>&gt; partner at Deloitte East Africa</li> </ul>	<p>GAC</p> <p>GSEC</p>
<p><b>Lubin Wang / 46</b></p> <p><i>Non-executive director, SBG and SBSA</i></p> <p><i>Appointed:</i></p> <p>1 June 2017</p>	<ul style="list-style-type: none"> <li>&gt; Bachelor’s degree in corporate finance (Fudan University)</li> <li>&gt; Master’s degree in accounting and finance (London School of Economics and Political Science)</li> </ul>	<p><b>Other governing body and professional positions held:</b></p> <ul style="list-style-type: none"> <li>&gt; chief representative officer of ICBC African representative office</li> </ul> <p><b>Appointments held within the group:</b></p> <ul style="list-style-type: none"> <li>&gt; ICBC Standard Bank Plc.</li> </ul> <p><b>Previous roles:</b></p> <ul style="list-style-type: none"> <li>&gt; executive committee member, deputy head of finance, head of IT and strategic sourcing in ICBC (Argentina)</li> <li>&gt; core member of the transitional committee of the acquisition project of Standard Bank Argentina</li> </ul>	<p>DAC</p> <p>GRCMC</p> <p>GTIC</p>
<p><b>André Parker / 69</b></p> <p><i>Independent non-executive director, SBG and SBSA</i></p> <p><i>Appointed:</i></p> <p>14 March 2014</p>	<ul style="list-style-type: none"> <li>&gt; BEcon (Hons)</li> <li>&gt; Mcom (University of Stellenbosch)</li> </ul>	<p><b>External directorships:</b></p> <ul style="list-style-type: none"> <li>&gt; Distell</li> <li>&gt; Empresas Carozzi (Chile)</li> </ul> <p><b>Previous roles:</b></p> <ul style="list-style-type: none"> <li>&gt; managing director, SAB Miller, Africa and Asia regions</li> <li>&gt; chairman of Tiger Brands</li> </ul>	<p>DAC</p> <p>GTIC</p> <p>REMCO</p> <p>LEC</p>

<p><b>Atedo Peterside CON / 64</b></p> <p><i>Independent non-executive director, SBG and SBSA</i></p> <p><i>Appointed</i></p> <p>22 August 2014</p>	<p>&gt; BSc (economics) (The City University, London)</p> <p>&gt; MSc (economics) (London School of Economics and Political Science)</p> <p>&gt; Owner/President Management Programme (Harvard)</p>	<p><b>Other governing body and professional positions held:</b></p> <p>&gt; Endeavor High Impact Entrepreneurship (chairman)</p> <p><b>External directorships:</b></p> <p>&gt; ANAP Holdings Ltd (chairman)</p> <p>&gt; Cadbury Nigeria Plc (chairman)</p> <p>&gt; Flour Mills of Nigeria Plc</p> <p>&gt; Unilever Nigeria Plc</p> <p>&gt; Nigerian Breweries Plc</p> <p>&gt; ANAP Business Jets Ltd (chairman)</p> <p><b>Previous roles:</b></p> <p>&gt; founder and chief executive of the then IBTC</p> <p>&gt; chairman of Stanbic IBTC Bank Plc</p>	<p>GAC</p> <p>GTIC</p> <p>REMCO</p>
<p><b>Myles Ruck / 64</b></p> <p><i>Independent non-executive director, SBG and SBSA</i></p> <p><i>Appointed:</i></p> <p>18 January 2002</p>	<p>&gt; BBusSc (University of Cape Town)</p> <p>&gt; PMD (Harvard)</p>	<p><b>Appointments held in the group:</b></p> <p>&gt; ICBC (Argentina) (vice chairman)</p> <p><b>External directorships:</b></p> <p>&gt; The Bidvest Group Ltd</p> <p><b>Previous roles:</b></p> <p>&gt; deputy chief executive of SBG</p> <p>&gt; chief executive of the Liberty Group</p>	<p>GRMC (chairman)</p> <p>LEC (chairman)</p> <p>DAC</p>
<p><b>John Vice / 67</b></p> <p><i>Independent non-executive director, SBG and SBSA</i></p> <p><i>Appointed:</i></p> <p>21 November 2016</p>	<p>&gt; BCom</p> <p>&gt; CTA (University of Natal)</p> <p>&gt; CA (SA)</p>	<p><b>External directorships:</b></p> <p>&gt;Anglo American Platinum</p> <p><b>Previous roles:</b></p> <p>&gt; senior partner at KPMG Inc. where he headed the firm's audit practice, IT audit and IT consulting departments. member of the board of Zurich Insurance South Africa Limited</p>	<p>GTIC (chairman)</p> <p>GAC</p> <p>GRMC</p>

The board of SBSA has the same membership as that of SBG, except for Lungisa Fuzile, Chief executive, SBSA.

<p><b>Lungisa Fuzile / 52</b></p> <p>Chief executive, SBSA</p> <p><i>Appointed:</i></p> <p>2018</p>	<p>MCom (Natal), AMP (Harvard)</p>	<p><b>Appointments held within the SB Group:</b></p> <p>&gt; The Standard Bank Tutuwa Community Foundation</p> <p><b>Previous roles:</b></p> <p>&gt; Director general – National Treasury</p>	<p>LEC</p> <p>GMAC</p> <p>GSEC</p>
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Key:

**DAC** – Directors’ affairs committee      **GAC** – Group audit committee      **GRCMC** – Group risk and capital management committee      **Remco** – Group remuneration committee      **GMAC** – Group model approval committee      **LEC** – SBSA large exposure credit committee

**GTIC** – Group technology and information committee      **GSEC** – Group social and ethics committee

## Conflicts of Interest

All of the directors of SBSA, with the exception of Lungisa Fuzile, are also directors or prescribed officers of SBG and they therefore also owe duties in that capacity to SBG as well as to SBSA. Since the directors of SBSA 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 SB Group taken as a whole may not in every case be in the best interests of SBSA.

In addition, Myles Ruck, Arno Daehnke, Jacko Maree and Sim Tshabalala serve as directors of subsidiaries of SBG other than SBSA. These directors therefore also owe duties in that capacity to those companies as well as to SBSA. It is possible that the duties which these persons owe to those companies may potentially conflict with their duties to SBSA.

SBSA engages in transactions with some of the entities in the SB Group, including transactions in the ordinary course of business.

SBSA'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 SB Group chief compliance officer. SBSA'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. SBSA 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 SB 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. Such director is recused from the meeting.

Directors disclose their outside business interests as a standing agenda item at each meeting. Directors do not participate in the meeting when the board considers any matters in which they may be conflicted and are excused from the meeting. In compliance with the provisions of the Companies Act, the group secretary maintains a register of directors' interests, which is tabled at the board meeting and any changes are submitted to the board as they occur.

## EMPLOYEES

For the year ended 31 December 2019, the SBSA Group had 29,578 employees (compared to 31,662 employees for the year ended 31 December 2018). For the year ended 31 December 2019, approximately 57.2 per cent. of SBSA's employees worked in the Personal & Business Banking SA segment of SBSA (compared to 57.3 per cent. for the year ended on 31 December 2018) whereas 8.6 per cent. worked in the Corporate & Investment Banking SA segment during the same period (compared to 8.4 per cent. for the year ended on 31 December 2018); the remaining 34.2 per cent. of employees worked in the central and other services segment within SBSA (compared to 34.3 per cent. for the year ended on 31 December 2018).

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. SBSA 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 2019, there were 13 locally controlled banks, 5 foreign controlled banks, 4 mutual banks, 17 local branches of foreign banks and 30 foreign banks with approved representative offices in South Africa. According to the SARB BA 900 report for 31 December 2019, the banking sector in South Africa had total assets of R5.9 trillion as at 31 December 2019. 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 as at 31 December 2019.

	<b>Total assets</b>	<b>Capital and reserves</b>
		<i>(Rm)</i>
ABSA Bank Limited	1,150,154	121,840
FirstRand Bank Limited	1,253,669	99,428
Nedbank Limited	1,048,122	98,449
The Standard Bank of South Africa Limited	1,410,421	106,717

*Source: BA 900 filings – SARB, 31 December 2019*

SBSA 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 SBSA within South Africa and other emerging markets.

## **CAPITAL ADEQUACY**

SBSA's capital management function is designed to ensure that regulatory requirements are met at all times and that SBSA is capitalised in line with its risk appetite and target ranges, both of which are approved by the SBSA Board. It further aims to facilitate the allocation and use of capital, such that it generates a return that appropriately compensates shareholders for the risks incurred. Capital adequacy is actively managed and forms a key component of SBSA's budget and forecasting process.

The South African Reserve Bank ("**SARB**") adopted the Basel III framework, subject to certain phase-in provisions as provided by the Basel Committee for Banking Supervision ("**BCBS**") from 1 January 2013. From 1 January 2019 the requirements that were subject to phase-in provisions have been fully implemented.

SBSA adopted IFRS 9 - Financial Instruments ("**IFRS 9**") from 1 January 2018. SBSA elected to adopt a three-year transition period, amortised on a straight-line basis, as provided by the SARB Directive 5/2017. IFRS 9 had a small impact on the SBSA's total capital adequacy due to the add-back to Tier II capital that is permitted for provisions that exceed the regulatory expected loss. The volatility that arose from the add-back due to the adoption of IFRS 9 is monitored on an ongoing basis.

The Basel III post-crisis reform proposals and the potential requirements for loss absorbing and recapitalisation capacity of systemically important banks may impact capital levels going forward. In South Africa, the implementation date for the more significant Basel III post crisis reform proposals was originally set for 1 January 2022. The SARB has since revised the implementation date to 1 January 2023 with transitional arrangements for the phasing-in of the aggregate output floor from 1 January 2022 to 1 January 2027. The Basel III post-crisis reform proposals provide for areas of national discretion and SBSA is, through relevant industry bodies, engaging the Prudential Authority (PA) on the South African implementation of the proposals.

SBSA manages its capital levels to support business growth, maintain depositor and creditor confidence, create value for shareholders, and ensure regulatory compliance. The main regulatory requirements to be complied with are those specified in the Banks Act and related regulations, which are aligned with Basel III.

Regulatory capital adequacy is measured through three risk-based ratios, namely common equity tier 1, tier 1 and total capital adequacy ratios which are calculated on the following basis:

- Common equity tier 1: ordinary share capital, share premium, retained earnings, other reserves and qualifying non-controlling interest less impairments divided by total risk weighted assets ("**RWA**").

- Tier 1: common equity tier 1 and other qualifying non-controlling interest plus perpetual, non-cumulative instruments with either contractual or statutory principal loss absorption features that comply with the Basel III rules divided by total RWA. Perpetual, non-cumulative preference shares that comply with Basel I and Basel II rules are included in tier 1 capital but are currently subject to regulatory phase-out requirements over a ten-year period, which commenced on 1 January 2013.
- Total capital adequacy: tier 1 plus other items such as general credit impairments and subordinated debt with either contractual or statutory principal loss absorption features that comply with the Basel III rules divided by total RWA. Subordinated debt that complies with Basel I and Basel II rules is included in total capital but is currently subject to regulatory phase-out requirements, over a ten-year period, which commenced on 1 January 2013.

RWA are calculated in terms of the Banks Act and related regulations, which are aligned with Basel III.

The SARB adopted the leverage framework that was issued by the BCBS in January 2014 with formal disclosure requirements commencing from 1 January 2015. The non risk-based leverage measure is designed to complement the Basel III risk-based capital framework. SBSA's leverage ratio inclusive of unappropriated profit was 5.9 per cent. as at 31 December 2019 (compared to 5.9 per cent. as at 31 December 2018), in excess of the SARB minimum requirement of 4 per cent.



The following table sets out SBSA's Tier 1 and Tier 2 capital excluding unappropriated profit for the years ended 31 December 2019 and 31 December 2018, on a Basel III basis.

**Basel III qualifying capital excluding unappropriated profits**

	<b>31 December</b>	
	<b>2019</b>	<b>2018</b>
	<i>(Rm)</i>	
<b>IFRS ordinary shareholders' equity</b>	45,248	44,448
Retained earnings	55,086	52,321
Other reserves	841	881
Less: regulatory adjustments	(12,588)	(12,420)
Goodwill	(42)	(42)
Other intangible assets	(13,561)	(14,337)
Deferred tax assets	(1)	(11)
Other adjustments including IFRS 9 phase-in	1,016	1,970
Less: regulatory exclusions (unappropriated profits)	(9,912)	(11,966)
<b>CET I capital</b>	78,675	73,264
Qualifying other equity instruments	5,475	3,504
<b>Tier I capital</b>	84,150	76,768
Qualifying Tier II subordinated debt	20,431	18,580
General allowance for credit impairments	852	781
Less: regulatory adjustments - investment in Tier II instruments in other banks	(2,557)	(3,187)
<b>Tier II capital</b>	18,726	16,174
<b>Total regulatory capital</b>	<b>102,876</b>	<b>92,942</b>

## Basel III risk-weighted assets and associated capital requirements

	RWA		Minimum capital requirements <sup>1</sup>
	2019	2018	2019
	<i>(Rm)</i>		<i>(Rm)</i>
<b>Credit risk (excluding counterparty credit risk (CCR))</b>	<b>482,537</b>	<b>481,951</b>	<b>55,596</b>
Of which: standardised approach <sup>2</sup>	45,673	39,602	5,262
Of which: internal rating-based (IRB) approach	436,864	442,349	50,334
<b>CCR</b>	<b>25,430</b>	<b>24,370</b>	<b>2,930</b>
Of which: standardised approach for CCR	11,370	1,902	1,310
Of which: IRB approach	14,060	22,468	1,620
<b>Equity positions in banking book under market-based approach</b>	<b>2,327</b>	<b>1,125</b>	<b>268</b>
<b>Securitisation exposures in banking book</b>	<b>463</b>	<b>658</b>	<b>53</b>
Of which: IRB approach	463	465	53
Of which: IRB supervisory formula approach		193	
<b>Market risk</b>	<b>46,770</b>	<b>50,720</b>	<b>5,389</b>
Of which: standardised approach	32,182	36,886	3,708
Of which: internal model approach (IMA)	14,588	13,834	1,681
<b>Operational risk</b>	<b>99,434</b>	<b>97,563</b>	<b>11,457</b>
Of which: standardised approach	22,705	26,610	2,616
Of which: advanced measurement approach (AMA)	76,729	70,953	8,841
Amounts below the thresholds for deduction (subject to 250% risk weight)	12,610	12,999	1,453
<b>Total</b>	<b>669,571</b>	<b>669,386</b>	<b>77,146</b>

<sup>1</sup> Measured at 11.5 per cent. (2018: 11.1 per cent.) and excludes any bank-specific capital requirements. There is currently no requirement for the countercyclical buffer add-on in SA. The impact on the group's countercyclical buffer requirement from other jurisdictions in which the group operates is insignificant (buffer requirement of 0.0216 per cent.).

<sup>2</sup> Portfolios on the standardised approach relate to portfolios for which application to adopt the internal model approach has not been submitted, or for which application has been submitted but approval has not been granted.

The following tables detail SBSA's capital adequacy ratios for the years ended 31 December 2019 and 31 December 2018 on a Basel III basis including phased-in and fully loaded post IFRS 9 implementation.

### Capital Adequacy Ratios (Phased-in)<sup>1</sup>

	<b>2019 SARB minimum regulatory requirement<sup>2</sup> %</b>	<b>Internal target ratios<sup>3</sup> %</b>	<b>Including unappropriated profits</b>		<b>Excluding unappropriated profits</b>	
			<b>2019 %</b>	<b>2018 %</b>	<b>2019 %</b>	<b>2018 %</b>
Total capital adequacy ratio	11.5	>15.0	16.8	15.7	15.4	13.9
Tier I capital adequacy ratio	9.3	>12.0	14.0	13.3	12.6	11.5
CET I capital adequacy ratio	7.5	11.0 - 12.5	13.2	12.7	11.7	10.9

## Capital Adequacy Ratios (Fully Loaded)<sup>4</sup>

	2019 SARB minimum regulatory requirement <sup>2</sup> %	Internal target ratios <sup>3</sup> %	Including unappropriated profits		Excluding unappropriated profits	
			2019 %	2018 %	2019 %	2018 %
Total capital adequacy ratio	11.5	>15.0	16.8	15.7	15.4	13.9
Tier I capital adequacy ratio	9.3	>12.0	13.8	12.9	12.4	11.2
CET I capital adequacy ratio	7.5	11.0 - 12.5	13.0	12.4	11.5	10.6

<sup>1</sup> Capital adequacy ratios based on the SARB IFRS 9 phased-in approach.

<sup>2</sup> Excludes confidential bank-specific add-ons.

<sup>3</sup> Including unappropriated profits.

<sup>4</sup> Capital ratios based on the inclusion of the full IFRS 9 transactional impact.

Source: This information has been extracted from Annexure G of the SBG 2019 Risk and Capital Management Report

## BASEL III

Banks in South Africa adopted Basel III with effect from 1 January 2013. Basel III aims to enhance financial stability globally by increasing the quality and level of capital to be held by banks, extending the risk framework coverage, by introducing new liquidity ratios and also a non-risk based leverage ratio. The Bank Supervision Department of the SARB (now referred to as the Prudential Authority ("PA")) 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 SB Group has approval from the PA to use the advanced internal ratings-based ("AIRB") approach for its credit portfolios in SBSA. For internal management purposes, the SB Group utilises AIRB measures and principles wherever possible. Further, the SB Group has approval from the PA 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 SB Group also has approval from the PA 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 III framework introduces a capital conservation buffer of 2.5 per cent. on top of these minimum thresholds. If a bank does not meet this buffer, constraints will be imposed on SBSA's capital distribution, such as dividends. Also, in periods of excess growth, banks will be required to hold an additional countercyclical buffer of up to 2.5 per cent. in order to avoid facing restrictions.

### **Leverage Ratio**

The BCBS has also proposed a requirement that effective from 1 January 2018 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). It is proposed that the final calibration of the Leverage Ratio and any further definition amendments will be implemented by 2023 in South Africa.

### **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 SBSA'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 SBSA 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 (Finalised Basel III reforms)***

On 7 December 2017 the BCBS published the Basel III finalised reforms for the calculation of RWA and a capital floor to be implemented on 1 January 2022. The date of implementation for these reforms was revised on the 27 March 2020 by the BCBS and has been deferred by one year to 1 January 2023. The accompanying transitional arrangements for the output floor has also been extended by one year to 1 January 2028. These reforms are the completion of work that the BCBS has been undertaking since 2012 to address inefficiencies that emerged from the financial crisis in 2008 and impacts both standardised and advanced internal models.

### ***Reducing variation in the internal rating based ("IRB") approach for credit risk***

The revised IRB framework constrains the use of the AIRB approach which allows banks to estimate the probability of default ("PD"), loss given default ("LGD"), exposure at default ("EAD") and maturity of an exposure for low default asset classes. These include exposures to large and mid-sized corporates, banks and other financial institutions, securities firms and public-sector entities. The relevant SB Group legal entities will now have to use the foundation IRB ("FIRB") approach for these exposures. The FIRB approach is more conservative as it applies fixed values to the LGD and EAD parameters. In addition, all IRB approaches are being removed for exposures to equities.

For the remaining asset classes, the revised IRB framework also introduces minimum "floor" values for bank-estimated IRB parameters that are used as inputs to the calculation of RWA. These include PD floors for both the FIRB and AIRB approaches, and LGD and EAD floors for the AIRB approach. The Committee agreed on various additional enhancements to the IRB approaches to further reduce unwarranted RWA variability, including providing greater specification of the practices that banks may use to estimate their model parameters.

Given the enhancements to the IRB framework and the introduction of an aggregate output floor, the BCBS has removed the 1.06 scaling factor that is currently applied to RWAs determined by the IRB approach to credit risk.

### ***Standardised approach for credit risk***

The revisions to the standardised approach for credit risk, enhances the regulatory framework by improving its granularity and risk sensitivity. It provides a more granular approach for unrated exposures to banks and corporates and a recalibration of risk weighting for rated exposures, a more risk-sensitive approach for real estate exposures based on their loan to value, separate treatment for covered bonds; specialised lending; and exposures to SME's, a more granular risk weight treatment for subordinated debt and equity exposures, and a recalibration of credit conversion factors for off balance sheet exposures.

### ***Credit Valuation Adjustment ("CVA") risk capital charge***

The initial phase of Basel III reforms introduced a capital charge for potential mark-to-market losses of derivative instruments as a result of the deterioration in the creditworthiness of a counterparty.

The final reforms introduce two new approaches for the calculation of the CVA risk capital charge which are a basic approach (full version including CVA hedges, or reduced version) and a standardised approach based on the fundamental review of the trading book market risk standardised approach with minimum requirements sensitivity calculations. The changes also include a €100 billion threshold for a simplified treatment (double counterparty credit risk capital requirement) and new eligibility requirements for CVA hedges.

### ***Operational risk***

The BCBS has streamlined the operational risk framework. The AMAs for calculating operational risk capital requirements (which are based on banks' internal models) and the existing standardised approaches are replaced with a single risk-sensitive standardised approach to be used by all banks.

The new standardised approach for operational risk determines a bank's operational risk capital requirements based on two components comprising a measure of a bank's income and a measure of historical losses experienced by the bank. Conceptually, it assumes that operational risk increases at

an increasing rate with a bank's income and banks which have experienced greater operational risk losses historically are assumed to be more likely to experience operational risk losses in the future.

### ***Output floor***

The Basel III reforms replace the existing Basel II floor with a floor based on the revised Basel III standardised approaches. Consistent with the original floor, the revised floor places a limit on the regulatory capital benefits that a bank using internal models can derive relative to the standardised approaches. In effect, the output floor provides a risk-based backstop that limits the extent to which banks can lower their capital requirements relative to the standardised approaches.

This helps to maintain a level playing field between banks using internal models and those on the standardised approaches. It also supports the credibility of banks' risk-weighted calculations and improves comparability via the related disclosures.

Under the revised output floor, banks' risk-weighted assets must be calculated as the higher of

- a. total RWA calculated using the approaches that the bank has supervisory approval to use in accordance with the Basel capital framework (including both standardised and internal model-based approaches); and
- b. 72.5 per cent. of the total risk-weighted assets calculated using only the standardised approaches.

The date of implementation for the output floor was revised on the 27 March 2020 by the BCBS and has been deferred by one year to 1 January 2023. The accompanying transitional arrangements for the output floor has also been extended by one year to 1 January 2028. The PA is still to align its proposed date of implementation for the output floor from 1 January 2022 to the BCBS revised date of 1 January 2023, and accordingly the transitional arrangements for the output floor.

### **Risk-Weighting (Other Basel III reforms)**

#### ***Counterparty Credit Risk***

The BCBS has finalised the rules for the standardised approach for counterparty credit risk ("SA-CCR"). From 1 October 2020, the proposed PA implementation date, SA-CCR will be used to calculate the counterparty credit risk exposure associated with over-the-counter ("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, to be implemented by 1 January 2021, the proposed PA implementation date, provides a revised set of approaches for determining the regulatory capital requirements in relation to securitisation exposures with the following aims: 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. The framework was thereafter revised on the 14 January 2019 to address issues that the Basel Committee identified in the course of monitoring the implementation and impact of the framework. The proposed implementation date for South Africa is 1 January 2023.

### ***Large Exposure Framework***

The BCBS published the final standard that sets out a supervisory framework for measuring and controlling large exposures on the 15 April 2014. The proposed implementation date for South Africa is 1 January 2021. The large exposure framework protects banks from significant losses caused by the sudden default of an individual counterparty or a group of connected counterparties. The framework was designed so that the maximum possible loss a bank could incur if such a default were to occur would not endanger the bank's survival as a going concern. In cases where the bank's counterparty is another bank, large exposure limits will directly contribute towards the reduction of system-wide contagion risk. Large Exposure is defined as an exposure that is equal to or above 10 per cent. of a bank's eligible capital base. Eligible capital base is defined as Tier 1 capital as defined under the Basel III framework. The sum of all the exposure values of a bank to a single counterparty or to a group of connected counterparties should not be higher than 25 per cent. of the bank's available eligible Tier 1 capital base. A tighter limit of 15 per cent. of Tier 1 capital will apply to inter-GSIBs exposures.

### ***Interest Rate Risk in the Banking Book ("IRRBB")***

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. In April 2016 the BCBS issued standards for IRRBB (the "**revised Standards**"). The revised Standards revise the BCBS' 2004 "Principles for the management and supervision of interest rate risk", which set out supervisory expectations for banks' identification, measurement, monitoring and control of IRRBB as well as its supervision. The revised Standards also introduced a strengthened Pillar 2 approach. The newly revised Standards for IRRBB cover the enhanced requirements over 12 principles. Nine principles are directed to banks including identification of IRRBB, sound methodologies, risk appetite and limits, internal reporting, external disclosures, data, controls and model risk management. Three principles are directed to supervisors and focus on review of soundness of banks' IRRBB management, collaboration among supervisors and identification of outlier banks.

The proposed implementation date for South Africa is 1 June 2022.

### ***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 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 SBSA a period of time before full compliance is required, SBSA 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 SB Group; and ensuring that the SB 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 SBSA is aware) which may have, or have during the 12 months prior to the date of this Programme Memorandum had, a significant effect on the financial position or profitability of SBSA and/or the SBSA Group. SBSA 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, SBSA does not expect that the outcome of any such proceeding, either individually or in aggregate, will have a material adverse effect upon the SBSA Group's consolidated financial position or results.

## **PROPERTY**

As at 31 December 2019, SBSA Group held freehold title (net book value) to land and property of R2,994 million (compared to R3,020 million as at 31 December 2018).

## **INSURANCE**

SBSA 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 SBSA'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**

With the significant impact of the digital revolution, consumers and businesses are being forced to change the way they interact. Technology is central to SBSA's ability to adapt to a changing world and create sustainable long-term value for SBSA's stakeholders. SBSA regards technology as a strategic asset which supports, sustains and enables growth and operational excellence.

SBSA's technology strategy is aligned to, and a key enabler of SBSA and the SB Group's strategic vision. The key elements of SBSA's technology strategy are focused on embedding a client-centric

culture which is aimed at ensuring that SBSA's systems are "always on" (available to our customers) and secure (through managing the risk of unauthorised security breaches), systems adopt a universal financial services organisation view, enabling the digital transformation of SBSA, driving the simplification of SBSA's systems, and in having the right, engaged employees to deliver on the strategy.

Management believes that SBSA's overall technology stability is currently acceptable with significant volumes noted across SBSA's digital offerings. This includes an 11 per cent. increase in volumes and a 10 per cent. increase in values (processing approximately 145 million transactions per month to a total value of R96 billion) and a 28 per cent. year on year decrease in material system stability incidents in South Africa.

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

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

## **REGULATION**

### **General regulatory requirements**

SBSA is subject to the Banks Act and is supervised by the Financial Conglomerate Supervision Department.

SBSA 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 page 37.

### **Anti-money laundering regulatory requirements**

SBSA is committed to and supports global efforts to combat money laundering ("ML") and terrorist financing ("TF"). Consequently, SBSA has implemented the SB Group Money Laundering Control Policy, and approved standards and procedures to ensure compliance with its legislative obligations in respect of anti-money laundering ("AML") and combating the financing of terrorism ("CFT") requirements. Meeting ML and TF control requirements imposes significant obligations in terms of client identification and verification, record keeping, staff training and the detection and reporting of suspicious and unusual transactions. Minimum standards are implemented throughout SBSA, while particular emphasis is placed on implementing bespoke ML/TF controls which are designed to mitigate the risks identified in country and business risk assessments. SBSA continues to enhance and automate its ML and TF detection measures, and has a dedicated AML surveillance team that is

responsible for receiving, evaluating and reporting suspicious or unusual transactions and activities to the appropriate authorities. This team has taken the approach of full co-operation with law enforcement agencies from an information sharing perspective, while still ensuring that it operates within the parameters defined by legislation.

### **Anti-bribery and corruption requirements**

Anti-bribery and corruption (ABC) policies are implemented across SBSA. SBSA is committed to the highest level of ethical behaviour, and has a zero-tolerance approach towards bribery and corruption. SBSA has designed and implemented an anti-bribery management system to ensure compliance with ABC laws. These laws include, but are not limited to, the South African Prevention and Combating of Corrupt Activities Act No.12 of 2004, the UK Bribery Act and the U.S. Foreign Corrupt Practices Act.

SBSA has developed and implemented an ABC compliance programme which is aligned with global best practice (in particular the ABC guidance that has been issued by the Organisation for Economic Co-operation and Development). Programme activities include periodically providing inputs to the SB Group ABC risk assessment process and implementing updates to the ABC policy.

Furthermore, all SBSA staff are required to complete ABC general awareness training annually. Regular reviews of the effectiveness of the ABC programme are conducted in the form of a combined assurance approach to monitoring activities.

## **RISK MANAGEMENT**

SBSA's approach to risk management is designed to ensure consistent and effective management of risk and provide for appropriate accountability and oversight. Risk management is enterprise wide, applying to all entity levels and is a crucial element in the execution of the SBG strategy.

SBSA's risk universe represents the risks that are core to its financial services business. SBSA organises these risks into strategic, non-financial and financial risk categories.

The risk universe is managed through the lifecycle from identification to reporting. SBSA's assessment process includes rigorous quantification of risks under normal and stressed conditions up to, and including, recovery and resolution.

Risk exposures are managed through different techniques and are monitored against a risk appetite that supports the SBG strategy.

Risk information is subject to strong data and reporting controls. It is integrated into all business reporting and governance structures. SBSA's governance structure enables oversight and accountability through appropriately mandated board and management committees.

This is all underpinned by a control environment defined in the SBG and SBSA risk governance and management standards and policies.

### **SBSA'S RISK MANAGEMENT SYSTEM**

SBSA operates under the SBG enterprise risk management ("**ERM**") governance framework and SBSA-specific policies to address SBSA-specific business and regulatory requirements. SBSA's chief risk officer is accountable to the SBSA Board and SBSA's regulators. SBSA's chief risk officer

is also the chief risk officer for SBG and is therefore also accountable to the SBG Board and SBG regulators.

SBSA's approach to risk management is based on the SBG ERM governance framework under which it operates.

### **Risk governance committees**

Board sub-committees responsible for the oversight of risk management comprise the Risk and Capital Management Committee ("**RCMC**"), the Audit Committee ("**AC**"), the technology and information committee, the model approval committee, the remuneration committee and the social and ethics committee.

Executive management oversight for all risk types has been delegated by the SBG executive 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 is chaired by the chief risk office and 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;
- Asset and Liability Committee (the "**ALCO**") (which also covers market risk);
- Compliance Committee;
- Country Risk Management Committee;
- Equity Risk Committee;
- Internal Financial Control Governance Committee;
- Operational Risk Committee;
- Sanctions and Client Risk Review Committee;
- Stress Testing and Risk Appetite Committee; and
- Recovery and Resolution Plan Committee.

### **Governance documents**

The SBG ERM governance framework is approved by the RCMC. It informs the specific risk type standards, frameworks and policies which are approved by executive committees and the relevant board subcommittee. The critical steps for risk management are defined to ensure common practices across SBSA.

Business line and legal entity policies are aligned to the governance documents and are applied within their governance structures.

### **The three lines of defence**

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

The first line of defence is made up of the management of business lines and legal entities. The first line proactively identifies, assesses and measures applicable risk scenarios in order to arrive at risk appetite decisions. They manage day-to-day transaction- and portfolio-level risk decisions within the risk appetite and implement mitigation controls to reduce the adverse impact of taking risks in pursuit of strategic objectives. Effective first line risk management responsibilities include:

- defining the risk and control culture, and risk appetite;
- identifying and assessing risks and emerging threats;
- designing and implementing appropriate controls;
- balancing risk and return with every business decision;
- allocating capital optimally for maximum returns;
- performing self-assessments on the control environment;
- escalating material events that breach risk appetite through the governance structure; and
- ensuring appropriate risk disclosure to shareholders and regulators.

The second line of defence directs the definition of the enterprise-wide risk management programme. The second line of defence facilitates execution of risk lifecycle activities and provide expert advice, guidance and support to the first line of defence management team. Together with the SBSA Board they have oversight of the implementation and effective execution of risk and returns decisions within the set risk appetite and target strategy. Effective second line risk management responsibilities include:

- defining the risk and capital management framework and policies;
- facilitating risk management activities through the process lifecycle;
- facilitating the capital requirements calculations for all applicable risk types;
- challenging management's day-to-day risk decisions;
- monitoring and providing expert advice on emerging threats;
- monitoring that risk decisions are being taken in line with the risk culture and appetite, and reporting breaches;
- managing the interface with regulators regarding industry policy advocacy and risk and compliance matters;
- compiling risk disclosures as per regulatory requirements;
- reviewing compliance with risk standards; and
- performing independent reviews on specific risk and control areas.

The third line of defence is SBG Internal Audit ("IA"). IA provide independent and objective assurance to the board and senior management on the adequacy and effectiveness of the control environment and the risk management programme. IA has an independent reporting line to the Board to assist in discharging their risk oversight responsibilities. Effective third line risk management responsibilities include:

- providing assurance through a risk-based audit plan that assesses and reports on the quality of controls and risk management practices; and
- periodically reviewing the design adequacy of the risk management framework, the level of compliance with policies and standards, and the completeness and reliability of the risk assessment and reporting process.

All three levels report to the SBSA Board, either directly or through the RCMC and AC. The SBSA Board discharges its oversight responsibilities for risk management through independent assurance activities performed by second and third line. The SBSA Board has the following mandate:

- ensuring that the appropriate tone for risk is set by executive management; and
- ensuring that the risk and capital management is effective, including the SBSA Group's:
  - risk, compliance, treasury and capital management, and IA processes;
  - risk appetite; and
  - capital adequacy to support strategy execution.

### **Risk culture**

SBSA leverages the three lines of defence model to build and maintain a strong risk culture. SBG values and ethics are embedded in SBSA's policies, and through compliance training and whistle-blowing programmes.

SBSA promotes and rewards responsible risk taking that results in sustainable growth. Each business is responsible for monitoring behaviour that is contrary to the SBG ethos and taking disciplinary action in line with the SBG conduct risk management standards. Inappropriate risk decisions are monitored as part of performance management and escalated to REMCO.

### **Risk reporting**

Risk exposures are reported on a regular basis to the board and senior management through the governance committees. Risk reports are compiled at business unit level and are aggregated to the enterprise level for escalation through the governance structures based on materiality.

Risk management reports comply with standards set out by BCBS239.

### **Group insurance programme**

The SBG insurance programme is designed to protect against loss resulting from SBSA's business activities. It is used as a strategic risk transfer mechanism and serves to mitigate operational risk by transferring residual insurable risks to conventional insurance markets. This cover is reviewed annually.

The principal insurance policies in place are the group crime and professional indemnity, cyber, and group directors' and officers' liability policies. In addition, SBSA has fixed assets and liabilities coverage for its office premises and business contents, third-party liability for visitors to its premises, and employer's liability. The business travel policy provides cover for staff when travelling on behalf of SBSA.

### **Risk appetite and stress testing**

The key to SBSA's long-term sustainable growth and profitability lies in ensuring that there is a strong link between its risk appetite and its strategy.

Risk appetite is set, and stress testing activities are undertaken, at a SBG level, in business units, in risk types and at a legal entity level.

The primary management level governance committee overseeing risk appetite and stress testing is the SBG stress testing and risk appetite committee. The principal governance documents are the risk appetite governance framework and the stress testing governance framework.

#### ***Risk appetite***

Risk appetite guides strategic and operational management decisions and is reviewed annually. The level one risk appetite statements are:

- Capital position: SBSA aims to have a strong capital adequacy position measured by regulatory and economic capital adequacy ratios. SBSA manages its capital levels to support business growth, maintain depositor and creditor confidence, create value for shareholders and ensure regulatory compliance.
- Funding and liquidity management: SBSA maintains a prudent approach to liquidity management in accordance with the applicable laws and regulations. The competitive environment in which each banking subsidiary operates is also taken into account. Each banking subsidiary must manage liquidity on a self-sufficient basis.
- Earnings volatility: SBSA aims to have sustainable and well diversified earning streams in order to minimise earnings volatility through business cycles.
- Reputation: SBSA has no appetite for compromising its legitimacy or for knowingly engaging in any business, activity or relationship which could result in foreseeable damage to SBSA's reputation or its sustainability.
- Conduct: SBSA has no appetite for unfair client outcomes arising from inappropriate judgement and conduct in the execution of business activities, or wilful breaches of regulatory requirements. SBSA strives to meet clients' expectations for efficient and fair engagements by doing the right business the right way, thereby upholding the trust of our stakeholders.

Level two risk appetite is cascaded into risk types. Level three risk appetite consists of risk type based limits.

### ***Stress testing***

Stress testing is subject to SBSA's stress testing governance framework which sets out the responsibilities for and approaches to stress testing activities. Stress testing is a key management tool within SBSA. SBSA tests risk scenarios to support normal stress conditions up to severe stress scenarios to inform recovery plans. Stress testing supports a number of business processes including:

- strategic planning and financial budgeting;
- informing the setting of risk appetite and portfolio management at a group, business unit and legal entity level;
- the internal capital adequacy assessment process, including capital planning and management and the setting of capital buffers;
- liquidity planning and management;
- 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 and resolution planning, across a range of stressed conditions; and
- supporting communication with internal and external stakeholders including industry-wide 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.

## **STRATEGIC RISKS**

### ***Business Risk***

Business risk is the risk an unexpected variation in earnings, as a result of strategic choices and failed strategy execution as well as unexpected external factors. This excludes the effects of market risk, credit risk, structural interest rate risk and operational risk.

Business risk is categorised as a strategic risk. Strategic risk is the risk that SBSA's future business plans and strategies may be inadequate to prevent financial loss or protect SBSA's competitive position and shareholder value.

Business risk is usually caused by:

- a poor choice of strategy in the form of products offered, market segments targeted, channels being operated and cost structures adopted;
- external factors such as pressures from unexpected economic and/or technological changes, decreased demand, increased competition or increases in costs; and/or



- group-specific causes, such as the decision to absorb costs or losses to preserve reputation and operational efficiency.

SBSA mitigates business risk in a number of ways, including:

- reviewing the strategy, and business unit and legal entity plans;
- performing extensive due diligence during the investment appraisal process, in particular for new acquisitions and joint ventures;
- conducting detailed analysis of the business case for, and financial, operational and reputational risks associated with, disposals;
- applying new product processes per business line through which the risks and mitigating controls for new and amended business-products and -services are evaluated;
- stakeholder management to ensure favourable outcomes from external factors beyond the SBSA's control;
- monitoring the profitability of product lines and client segments;
- maintaining tight control over SBSA's cost base, including the management of the SBSA's cost-to-income ratio, which allows for early intervention and management action to reduce costs;
- being alert and responsive to changes in market forces;
- maintaining a strong focus in the budgeting process on achieving headline earnings growth while containing cost growth; and building contingency plans into the budget that allow for costs to be significantly reduced in the event that expected revenues do not materialise;
- increasing the ratio of variable costs to fixed costs which creates flexibility to reduce costs during an economic downturn; and
- applying stress testing techniques to assess the resilience of planned earnings under macroeconomic downturn conditions.

The primary management level governance committee overseeing business risk is ALCO.

## **REPUTATION RISK**

Reputation risk is the risk of potential or actual damage to SBSA's image which may impair the profitability and sustainability of its business.

Reputation is understood as how stakeholders, including employees, clients, investors, counterparties, regulators, policymakers, and society at large, perceive SBSA.

SBSA's reputation can be harmed by an actual or perceived failure to fulfil the expectations of stakeholders due to a specific incident or from repeated breaches of trust.

Reputational harm can adversely affect SBSA's ability to maintain existing business, generate new business relationships, access capital, enter new markets, and secure regulatory licences.

SBSA manages reputation risk from tactical and reactive, as well as strategic and proactive perspectives. Crisis management processes are designed to minimise the reputational impact of such events or developments. Crisis management teams are in place both at executive and business line level. SBSA addresses potential reputation risk by trying to ensure that SBSA's perspective is fairly represented in the media. In addition, more attention is given to leveraging opportunities to proactively improve SBSA's reputation among influential stakeholders through external stakeholder engagements, advocacy, sponsorships and corporate social initiatives.

The primary management level governance committee overseeing reputation risk is ROC.

The SBG code of ethics is an important reference point for all of its employees. The SBG ethics officer and SBG chief executive are the formal custodians of the code of ethics.

## **NON-FINANCIAL RISKS**

Non-financial 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.

SBSA manages non-financial risk under the umbrella of operational risk. SBSA's approach adopts fit-for-purpose risk practices, well-established governance processes which are supported by a comprehensive escalation and reporting processes that assist line management to understand and manage their risk profile within risk appetite.

SBSA's non-financial risk management function forms part of the second line of defence, is an independent team and reports to the group chief risk officer.

Non-financial risk subtypes are managed and overseen by specialist functions. These subtypes include:

- cyber risk;
- model risk;
- tax risk;
- financial accounting risk;
- legal risk;
- physical assets risk;
- environmental and social risk;
- technology risk;
- information risk;
- third-party risk;
- people risk;
- business disruption risk;

- compliance risk;
- conduct risk; and
- financial crime risk.

The primary management level governance committee overseeing operational risk is the Operational Risk Committee which is a subcommittee of ROC. The primary governance document is the integrated operational risk governance framework. Non-financial risk subtypes report to various governance committees and have governance documents applicable to each risk subtype.

## **FINANCIAL RISKS**

### ***Credit Risk***

Credit risk is the risk of loss arising out of failure of obligors to meet their financial or contractual obligations when due.

SBSA's credit risk is a function of its business model and arises from wholesale and retail loans and advances, underwriting and guarantee commitments, as well as from the counterparty credit risk arising from derivatives and securities financing contracts entered into with customers and trading counterparties. To the extent equity risk is held on the banking book, it is also managed under the credit risk governance framework, but ultimate approval authority rests with the equity risk committee.

Credit risk is managed through:

- maintaining a culture of responsible lending and a robust risk policy and control framework;
- identifying, assessing and measuring credit risk across the group, from an individual facility level through to an aggregate portfolio level;
- defining, implementing and continually re-evaluating risk appetite under actual and stressed conditions;
- monitoring SBSA's credit risk exposure relative to approved limits; and
- ensuring that there is expert scrutiny and approval of credit risk and its mitigation independently of the business functions.

SBSA's credit governance process relies on both individual responsibility and collective oversight, supported by comprehensive and independent reporting. This approach balances strong corporate oversight with participation by the senior executives of SBSA and its business units in all significant risk matters.

Credit risk is governed in accordance with the SBG comprehensive ERM framework as defined and detailed in the SBG credit risk governance standard and the model risk governance framework.

Credit risk is managed through the CIB and PBB credit governance committees, the SBG Equity Risk Committee and the intragroup exposure committee. These governance committees are key components of the credit risk management framework. They have clearly defined mandates and delegated authorities, which are reviewed regularly. Their mandates include responsibility for credit

concentration risk decision-making and delegation thereof within defined parameters, to credit officers and subcommittees embedded in SBSA.

### **Maximum exposure to credit risk**

Debt financial assets at amortised cost and fair value through other comprehensive income as well as off-balance sheet exposure subject to an ECL are analysed and categorised based on credit quality using the group's master rating scale. Exposures within Stage 1 and 2 are rated between 1 to 25 in terms of the group's master rating scale. The group uses a 25-point master rating scale to quantify the credit risk for each borrower (corporate asset classes) or facility (specialised lending and retail asset classes), as illustrated in the table below. These ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable PBB portfolios. The SB Group distinguishes between through-the-cycle PDs and point-in-time PDs, and utilises both measures in decision-making, managing credit risk exposures and measuring impairments against credit exposures. Exposures which are in default are not considered in the 1 to 25-point master rating scale.

### **Default**

The group's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the BASEL definition) as occurring at the earlier of:

- where, in the group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as the realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

The group will not rebut IFRS 9's 90 days past due rebuttable presumption.

A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets:

- significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower);
- a breach of contract, such as default or delinquency in interest and/or principal payments;
- disappearance of active market due to financial difficulties;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or
- where the group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the group would not otherwise consider.

Please refer to the tables set out on pages 150 to 153 of SBSA's 2019 annual report with regard to SBSA's maximum exposure to credit risk by credit quality as at 31 December 2019 and 31 December 2018.

## ***Collateral***

Please refer to the tables set out on pages 155 to 156 of SBSA's 2019 annual report for details of the financial effect that collateral has on SBSA's maximum exposure to credit risk as at 31 December 2019.

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 IFRS but which are nevertheless enforceable, are included as part of the SB Group's collateral for risk management purposes. All exposures are presented before the effect of any impairment provisions. In 2018 and 2019 in the retail portfolio, 61 per cent. of exposures were fully collateralised.

The R384 million (compared to R404 million in 2018) 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 95 per cent. (compared to 95 per cent. in 2018).

Of SBSA's total exposure, 50 per cent. (compared to 54 per cent. in 2018) is unsecured and mainly reflects exposures to well-rated corporate counterparties, bank counterparties and sovereign entities.

SBSA does not currently trade commodities that could give rise to physical commodity inventory or collateral exposure with the exception of precious metals. In the normal course of its precious metal trading operations the group does not hold allocated physical metal; however, this may occur from time-to-time. Where this does occur, appropriate risk and business approval is required to ensure that the minimum requirements are satisfied, including but not limited to approval of risk limits and insurance cover.

## **COUNTRY RISK**

Country risk, also referred to as cross-border transfer risk, is the uncertainty of whether 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 SBSA given political or economic conditions in the host country.

All countries to which the SBSA is exposed are reviewed at least annually. Internal rating models are employed to determine ratings for jurisdiction, sovereign and transfer and convertibility risk. In determining the ratings, extensive use is made of SBSA's network of operations, country visits and external information sources. These ratings are also a key input into SBSA's credit rating models.

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 jurisdiction risk grade from aaa to d, as well as sovereign risk grade and transfer and convertibility risk grade ("**SB**") from SB01 to SB25. Countries with sovereign/jurisdiction risk ratings weaker than SB07/a, referred to as medium- and high-risk countries, are subject to more detailed analysis and monitoring.

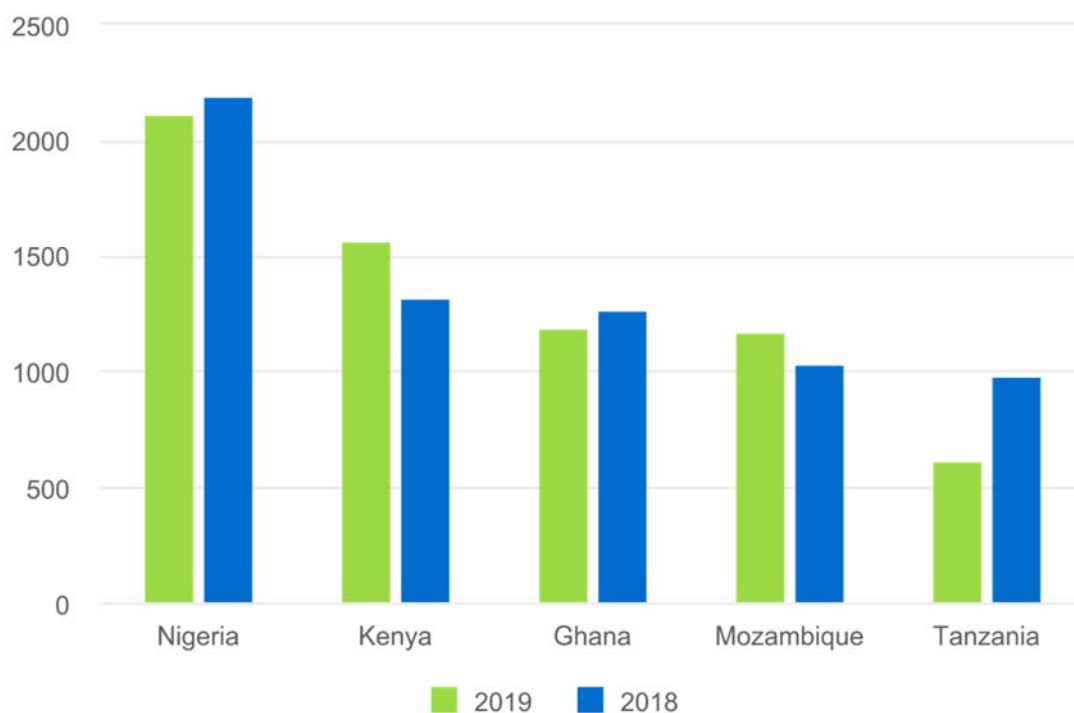
Country risk is mitigated through a number of methods, including:

- 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 SBSA Group's Country Risk Management Committee. The principal governance documents are the country risk governance standard.

The risk distribution of cross-border country risk exposures is weighted towards European, Asian and North American low-risk countries, as well as sub-Saharan African medium- and high-risk countries.

The following graph shows SBSA's exposure to the top five medium- and high-risk countries for the 2019 and 2018. These exposures are in line with SBG's growth strategy, which focused on Africa.



## FUNDING AND LIQUIDITY RISK

Liquidity risk is defined as the risk that an entity, although solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due, or can only do so at materially disadvantageous terms.

The nature of banking and trading gives rise to continuous exposure to liquidity risk. Liquidity risk may arise where counterparties, who provide SBSA 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.

SBSA manages liquidity in accordance with applicable regulations and within the SBG risk appetite framework. The liquidity risk governance standard 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 and that regulatory minimum requirements are met at all times. This is achieved through a combination of maintaining adequate liquidity buffers, to ensure that cash flow requirements can be met, and ensuring that SBSA's balance sheet is structurally sound and supportive of our strategy. Liquidity risk is managed on a consistent basis across SBSA. Managing liquidity risk ensures that SBSA 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 framework.

### **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 events. They 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 SBSA'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 SBSA's ability to maintain sufficient liquidity under adverse conditions.

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

### **Total contingent liquidity**

Portfolios of highly marketable liquid instruments to meet 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 that follows provides a breakdown of SBSA's liquid and marketable securities as at 31 December 2019 and 31 December 2018. Eligible Basel III HQLA are defined according to the BCBS January 2013 LCR and liquidity risk monitoring tools framework. Managed 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.

#### TOTAL CONTINGENT LIQUIDITY

	2019	2018
	Rbn	Rbn
<b>Eligible LCR HQLA<sup>1</sup> comprising:</b>	<b>210.7</b>	208.6
Notes and coins	9.5	10.4
Balances with central banks	23.5	24.1
Government bonds and bills	133.9	130.1
Other eligible assets	43.8	44.0
<b>Managed liquidity</b>	<b>63.7</b>	43.9
<b>Total contingent liquidity</b>	<b>274.4</b>	252.5
<b>Total contingent liquidity as a % of funding-related liabilities (%)</b>	<b>22.8</b>	22.4

<sup>1</sup> Eligible LCR HQLA are defined according to the BCBS and liquidity risk monitoring framework.

#### Structural liquidity requirements



### *Net stable funding ratio*

The Basel III NSFR became effective on 1 January 2018 with the objective to promote funding stability and resilience in the banking sector by requiring banks to maintain a stable funding profile in relation to the composition of its assets and off-balance sheet activities. The ASF is defined as the portion of capital and liabilities expected to be reliable over the one-year time horizon considered by the NSFR. The Required amount of Stable Funding ("**RSF**") is a function of the liquidity characteristics and residual maturities of the various assets (including off-balance sheet exposures) held by the bank. By ensuring that banks do not embark on excessive maturity transformation that is not sustainable, the NSFR is intended to reduce the likelihood that disruptions to a bank's funding sources would erode its liquidity position, increase its risk of failure and potentially lead to broader systemic risk.

### *Maturity analysis of financial liabilities by contractual maturity*

The following table analyses cash flows on a contractual, undiscounted basis based on the earliest date on which SBSA 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 to 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 only contractual maturities to be essential for understanding the future cash flows of derivative liabilities that are designated as hedging instruments in effective hedge accounting relationships. All other derivative liabilities, together with trading liabilities, are treated as trading and are included at fair value in the redeemable on demand bucket since these positions are typically held for short periods of time.

The table also includes contractual cash flows with respect to off-balance sheet items. Where cash flows are exchanged simultaneously, the net amounts have been reflected.

	Redeemable on demand Rm	Maturing within one month Rm	Maturing between one to six months Rm	Maturing between six to 12 months Rm	Maturing after 12 months Rm	Total Rm
<b>2019</b>						
<b>Financial liabilities</b>						
Derivative financial instruments	65,710	6	182	165	308	66,371
Instruments settled on a net basis	39,150	6	70	109	264	39,599
Instruments settled on a gross basis	26,560		112	56	44	26,772
Trading liabilities	77,647					77,647
Deposits from customers and banks	676,638	312,682	5,864	10,483	219,122	1,224,789
Subordinated debt		785	1,665	5,268	17,310	25,028

Other <sup>1</sup>		9,325		6,213	17,616	33,154
<b>Total</b>	<b>819,995</b>	<b>322,798</b>	<b>7,711</b>	<b>22,129</b>	<b>254,356</b>	<b>1,426,989</b>

#### Off-balance sheet exposures

Letters of credit and bankers' acceptances	9,067					9,067
Guarantees	40,341					40,341
Irrevocable unutilised facilities	86,870					86,870
<b>Total</b>	<b>136,278</b>					<b>136,278</b>

#### 2018

#### Financial liabilities

Derivative financial instruments	49,546	1	191	137	198	50,073
Instruments settled on a net basis	30,923	1	104	40	114	31,182
Instruments settled on a gross basis	18,623		87	97	84	18,891
Trading liabilities	29,704					29,704
Deposits from customers and banks	624,856	46,748	126,007	70,878	177,598	1,046,087
Subordinated debt		58	411	5,439	10,030	15,938
Other		4,277				4,277
<b>Total</b>	<b>704,106</b>	<b>51,084</b>	<b>126,609</b>	<b>76,454</b>	<b>187,826</b>	<b>1,146,079</b>

#### Off-balance sheet exposures

Letters of credit and bankers' acceptances	13,884					13,884
Guarantees	47,384					47,384
Irrevocable unutilised facilities	91,800					91,800
<b>Total</b>	<b>153,068</b>					<b>153,068</b>

<sup>1</sup> The group and company have, as permitted by IFRS 16, elected not to restate its comparative annual financial statements. Comparability will therefore not be achieved as the comparative annual financial information has been prepared on an IAS 17 basis. Refer to page 26 for more detail on the adoption of IFRS 16.

### Funding activities

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

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. Total funding-related liabilities increased from R1 126 billion as at 31 December 2018 to R1 206 billion as at 31 December 2019.

The following table sets out SBSA's funding-related liabilities composition as at 31 December 2019 and 31 December 2018.

#### FUNDING-RELATED LIABILITIES COMPOSITION<sup>1</sup>

	2019	2018
	Rbn	Rbn
Corporate funding	275	258
Retail deposits <sup>2</sup>	254	252
Institutional funding	317	299
Interbank funding	137	145
Government and parastatals	89	72
Senior debt	62	55
Term loan funding	34	26
Subordinated debt issued	21	19
Other liabilities to the public	7	
<hr/>		
<b>Total funding-related liabilities</b>	<b>1206</b>	1126

<sup>1</sup> Composition aligned to Basel III liquidity classifications.

<sup>2</sup> Comprises individual and small business customers.

## 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 adverse 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 governance management level committee overseeing market risk is the SB Group ALCO. The principal governance documents are the market risk governance standard and the model risk governance framework.

### *Trading book market risk*

When group is mentioned within market risk it refers to the Standard Bank of South Africa group.

The SB Group's policy is that all trading activities are undertaken within the SB Group's global markets' operations.

The market risk functions are independent of the bank's trading operations and are overseen by the market risk committee which is accountable to the relevant legal entity ALCOs. ALCOs have a reporting line into group ALCO, a subcommittee of GROC.

All VaR and SVaR limits require prior approval from the respective entity ALCOs. The market risk functions have the authority to set these 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 bring exposures back in line with approved market risk appetite, with such breaches being reported to management and entity ALCOs.

### **VaR and SVaR**

The group uses the historical VaR and SVaR approach to quantify market risk under normal and stressed conditions.

For risk management purposes VaR is based on 251 days of unweighted recent historical data updated at least monthly, a holding period of one day and a confidence level of 95 per cent. The historical VaR results are calculated in four steps:

- calculate 250 daily market price movements based on 251 days' historical data. Absolute movements are used for interest rates and volatility movements; relative for spot, equities, credit spreads, and commodity prices;
- calculate hypothetical daily profit or loss for each day using these daily market price movements;
- aggregate all hypothetical profits or losses for day one across all positions, giving daily hypothetical profit or loss, and then repeat for all other days; and
- VaR is the 95th percentile selected from the 250 days of daily hypothetical total profit or loss.

Daily losses exceeding the VaR are likely to occur, on average, 13 times in every 250 days.

SVaR uses a similar methodology to VaR, but is based on 251-day period of financial stress which is reviewed quarterly and assumes a 10 day holding period and a worst case loss.

The ten -day period is based on the average expected time to reduce positions. The period of stress for SBSA is currently the 2008/2009 financial crisis while, for other markets, more recent stress periods are used where the group has received internal model approval, the market risk regulatory capital requirements is based on VaR and SVaR, both of which use a confidence level of 99 per cent. and a ten-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 offsets in one day. This will usually 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; and
- 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. VaR is unlikely to reflect loss potential on exposures that only arise under significant market movements.

Trading book market risk exposures arise mainly from residual exposures from client transactions and limited trading for the group's own account. In general, SBSA's trading desks have run increased levels of market risk throughout the year for all asset classes when compared to 2018 aggregate normal VaR, and aggregate SVaR.

## TRADING BOOK NORMAL VaR ANALYSIS BY MARKET VARIABLE

	Normal VaR			
	Maximum <sup>1</sup>	Minimum <sup>1</sup>	Average	Closing
	Rm	Rm	Rm	Rm
<b>2019</b>				
Commodities risk	3	0.3	1	1
Foreign exchange risk	23	7	12	14
Equity position risk	18	4	8	11
Debt securities	23	11	17	18
Diversification benefits <sup>2</sup>			(8)	(20)
<b>Aggregate</b>	<b>51</b>	<b>17</b>	<b>30</b>	<b>24</b>
<b>2018</b>				
Commodities risk	3	0.20	1.0	2.0
Foreign exchange risk	17	6	10	10
Equity position risk	12	2	6	8
Debt securities	26	9	14	15
Diversification benefits <sup>2</sup>			(9)	(14)
<b>Aggregate</b>	<b>35</b>	<b>14</b>	<b>22</b>	<b>21</b>

<sup>1</sup> 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 days.

<sup>2</sup> 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.

### *Trading book issuer risk*

Equity and credit issuer risk is assumed in the trading book by virtue of normal trading activity and is managed according to the SBSA's market risk governance standard. These exposures arise from, among others, trading in equities, debt securities issued by corporate and government entities as well as trading credit derivative transactions with other banks and corporate clients.

The credit spread and equity issuer risk is incorporated into the daily price movements used to compute VaR and SVaR, as mentioned above for issuer risk and transactions that incorporate material counterparty value adjustment and debit value adjustments.

The VaR models used for credit spread and equity issuer 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. Excluding local currency government debt held by each legal entity, the largest issuer exposure was R13.5bn (2018: R16.4bn).

### *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 2019 did not exceed the maximum tolerable losses as represented by SBSA's stress scenario limits.

### *Backtesting*

SBSA backtests 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. In addition, VaR is tested by changing various model parameters, such as confidence intervals and observation periods to test the effectiveness of hedges and risk-mitigation instruments. 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 at 99 per cent. VaR. All of the SBSA's approved models were assigned green status by the SARB for the year ended 31 December 2019. Two exceptions occurred in 2019 (2018: two) for 95 per cent. VaR and zero exceptions (2018: zero) for 99 per cent. VaR.

### *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**

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.

SBSA's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the SBSA operates. SBSA's treasury and capital management team monitors banking book interest rate risk on a monthly basis operating under the oversight of group ALCO.

### ***Measurement***

The analytical techniques used to quantify interest rate risk in the banking book 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.

***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.

Equity risk relates to all transactions and investments subject to approval by the SBSA ERC, in terms of that committee's mandate, and includes debt, quasi-debt and other instruments that are considered to be of an equity nature.

For the avoidance of doubt, equity risk in the banking book excludes strategic investments in SBSA's subsidiaries, associates and joint ventures deployed in delivering SBSA's business and service offerings unless the group financial director and SBSA CRO deem such investments to be subject to the consideration and approval by the group ERC.

## MARKET RISK SENSITIVITY OF NON-TRADING EQUITY INVESTMENTS

	10% reduction in fair value	Fair value Rm	10% increase in fair value
	Rm		Rm
<b>2019</b>			
Equity securities listed and unlisted	2,794	3,104	3,414
Listed		70	
Unlisted		3,034	
Impact on profit and loss	(310)		310
Impact on equity	—		—
<b>2018</b>			
Equity securities listed and unlisted	2,176	2,418	2,660
Listed		34	
Unlisted		2,384	
Impact on profit and loss	(242)		242
Impact on equity	—		—

### Foreign currency risk

SBSA's primary non-trading related exposures to foreign currency risk arise as a result of the translation effect of the SBSA's net assets in foreign operations, intragroup foreign-denominated debt and foreign-denominated financial assets and liabilities.

The SBSA foreign currency management committee, a subcommittee of the group 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.

Gains or losses on derivatives that have been designated as cash flow hedging relationships in terms of IFRS are reported directly in OCI, with all other gains and losses on derivatives being reported in profit or loss.

### Foreign currency risk sensitivity analysis

The table that follows reflects the expected financial impact, in rand equivalent, resulting from a 10 per cent. shock to foreign currency risk exposures, against ZAR. The sensitivity analysis is based on net open foreign currency exposures arising from foreign-denominated financial assets and liabilities inclusive of derivative financial instruments, cash balances, and accruals, but excluding net assets in foreign operations. The sensitivity analysis reflects the sensitivity of profit or loss on SBSA's foreign

denominated exposures other than those trading positions for which sensitivity has been included in the trading book VaR analysis.

**FOREIGN CURRENCY RISK SENSITIVITY IN ZAR EQUIVALENTS<sup>1</sup>**

		USD	Euro	GBP	NGN	Other	Total
<b>2019</b>							
Total net long/(short) position	Rm	197	96	49	1	(1)	342
Sensitivity (ZAR depreciation)	%	10	10	10	10	10	
Impact on profit or loss	Rm	20	10	5	0	0	35
<b>2018</b>							
Total net long/(short) position	Rm	383	293	89	9	(2)	772
Sensitivity (ZAR depreciation)	%	10	10	10	10	10	
Impact on profit or loss	Rm	38	29	9	1	0	77

<sup>1</sup> Before tax.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### Clearing System Accountholders

Each Global Note will be in bearer or registered form. In relation to any Tranche of Notes represented by a Global Note in bearer form, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary will be that depositary or common depositary.

In relation to any Tranche of Notes represented by a Global Registered Note Certificate, references in the Terms and Conditions of the Notes to "Noteholder" are references to the registered holder of the relevant Global Registered Note Certificate which, for so long as the Global Registered Note Certificate is held by or on behalf of a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or a nominee for that depositary or common depositary.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Registered Note Certificate (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the registered holder of such Global Registered Note Certificate and in relation to all other rights arising under the Global Registered Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Registered Note Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Registered Note Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the registered holder of the Global Registered Note Certificate.

### Conditions applicable to Global Notes and Global Registered Note Certificates

Each Global Note and Global Registered Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Registered Note Certificate. The following is a summary of certain of those provisions:

**Payments:** All payments in respect of the Global Note or Global Registered Note Certificate which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Registered Note Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the payment is noted in a schedule thereto.

**Payment Business Day:** In the case of a Global Note, or a Global Registered Note Certificate, shall be, if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

**Payment Record Date:** Each payment in respect of a Global Registered Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant

clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "Clearing System Business Day" means a day on which each clearing system for which the Global Registered Note is being held is open for business. Where payment in respect of a Global Registered Note Certificate is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

**Exercise of put option:** In order to exercise the option contained in Condition 7.4 (*Put Redemption at the option of Noteholders (Put Option)*) the bearer of the Permanent Global Note or the holder of a Global Registered Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note Certificate and put option notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

**Partial exercise of call option:** In connection with an exercise of the option contained in Condition 7.3 (*Early Redemption at the option of the Issuer (Call Option)*) in relation to some only of the Notes, the Permanent Global Note or Global Registered Note Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg.

**Notices:** Notwithstanding Condition 13 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Registered Note Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Registered Note Certificate is, deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 13 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

## SOUTH AFRICAN EXCHANGE CONTROL

*Capitalised words 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 Exchange controls restrict the export of capital from South Africa, Namibia and the Kingdoms of Eswatini and Lesotho (collectively the "**Common Monetary Area**"). These exchange controls are administered by the Financial Surveillance Department ("**FSD**") of the South African Reserve Bank (the "**Exchange Control Authorities**") in terms of the Exchange Control Regulations and regulate transactions involving South African residents. The purpose of exchange controls is to mitigate the decline of foreign capital reserves in South Africa. It is the Issuer's understanding that South African exchange controls will be replaced with the Capital Framework Management policy which is anticipated to be implemented in March 2021. The Government has, however, committed itself to gradually relaxing exchange controls and significant relaxation has occurred in recent years. It is the stated objective of the South African authorities to achieve equality of treatment between South African residents and non-South African residents in relation to inflows and outflows of capital. This gradual approach towards the abolition of exchange controls adopted by the South African government is designed to allow the economy to adjust more smoothly to the removal of controls that have been in place for a considerable period of time.

This Programme Memorandum requires the prior approval of the Exchange Control Authorities in terms of the Exchange Control Regulations, such approval is obtained by the Issuer on an annual basis

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.

**As at the date of this Programme Memorandum, the prior written approval of the FSD is required for the issuance of each Tranche of Notes issued under the Programme. The Issuer will, if applicable at that time, obtain the prior written approval of the FSD for the issuance of each Tranche of the Notes under the Programme. The Final Terms applicable to each Tranche of Notes issued under the Programme will, if applicable at that time, be required to contain a statement that the requisite FSD approval has been obtained for that issuance.**

In addition, no South African residents and/or their offshore subsidiaries may subscribe for or purchase any Note or beneficially hold or own any Note other than in strict compliance with the South African exchange control regulations in effect from time to time. As at the date of this Programme Memorandum, the only exceptions in this regard is if the resident as a registered institutional investor intends to acquire the Notes in the offshore market utilising their prudential limit or resident individuals who have externalised funds either in terms of the Single Discretionary Allowance for investment purposes or in terms of their Foreign Investment Allowance accordingly. Furthermore, the notes will not be actively marketed to residents within the Common Monetary Area.

## 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 South African tax resident Noteholders will be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in South Africa.

A withholding tax on South African-sourced interest (see the section on "*Income Tax*" below) paid to or for the benefit of a 'foreign person' (being any person that is not a South African tax-resident) applies at a rate of 15% of the amount of interest in terms of sections 50A-50H of the Income Tax Act, No 58 of 1962 (the "**Income Tax Act**"). The withholding tax could be reduced by the relevant double taxation treaties. The legislation exempts, *inter alia*, from withholding tax on interest any amount of interest paid by a bank as defined in the Banks Act, 1990 (the "**Banks Act**"), to a foreign person. It is envisaged that this exemption would apply to the interest payments made to foreign Noteholders.

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 headed "*Income Tax*" below).

### ***Securities Transfer Tax (STT)***

No STT is payable on the issue or transfer of Notes (bonds) under the Securities Transfer Tax Act No 25 of 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 applicable prevailing standard rate, except where the recipient is a non-resident as contemplated below.

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

### ***Income Tax***

Under current taxation law effective in South Africa, a “*resident*” (as defined in section 1 of the Income Tax Act) is subject to income tax on his/her worldwide income. Accordingly, all Noteholders who are “*residents*” of South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any interest earned pursuant to the Notes.

Non-residents of South Africa are subject to income tax on all income derived from a source, or deemed to be from a source, within South Africa (subject to domestic exemptions or relief in terms of an applicable double taxation treaty).

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

- (a) is incurred by a South African tax resident, unless the interest is attributable to a permanent establishment which is situated outside of South Africa; or
- (b) is derived from the utilisation or application in South Africa by any person of any funds or credit obtained in terms of any form of ‘interest-bearing arrangement’.

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

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

- (a) that person is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve-month period preceding the date on which the interest is received by or accrues to, that person; or
- (b) the debt from which the interest arises is effectively connected to a permanent establishment of that person in South Africa.

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

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

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

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

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

### ***Capital Gains Tax***

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

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

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

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

### ***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.

### ***FATCA***

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including South Africa) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required

pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register, and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, the Issuer will not be required to pay additional amounts as a result of the withholding.

## 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 TEFRA D, unless TEFRA C is specified as applicable or TEFRA is specified as not applicable in the relevant Pricing Supplement.*

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

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions

permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

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

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

### ***United Kingdom***

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

- (a) ***No deposit taking***: in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 ("FSMA") by the Issuer;
- (b) ***Financial promotion***: it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) ***General compliance***: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### ***Prohibition of Sales to EEA and United Kingdom Retail Investors***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Programme Memorandum as completed by the Applicable Pricing Supplement in relation thereto to any retail investor in the EEA or in the United Kingdom ("**UK**"). For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or
  - (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"); and
- (b) the expression "**offer**" includes 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.

### ***General***

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

- (a) it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in each jurisdiction in which it purchases, subscribes or procures the subscription for, offers or sells Notes in that Tranche or has in its possession or distributes the Programme Memorandum and will obtain any consent, approval or permission required by it for the purchase, subscription, offer or sale by it of any Notes in that Tranche under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscription, offers or sales;
- (b) it will comply with such other or additional restrictions as the Issuer and such Dealer agree and as are set out in the Applicable Pricing Supplement relating to the relevant Tranche of Notes.

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

## GENERAL INFORMATION

*Capitalised words 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.*

**This Programme Memorandum does not constitute a "prospectus" for the purposes of Regulation (EU) 2017/1129 (the "Prospectus Regulation") and has been prepared on the basis that no prospectus shall be required under the Prospectus Regulation for any Securities to be offered and sold under it. This Programme Memorandum has not been approved or reviewed by any competent authority in the European Economic Area (the "EEA") or the United Kingdom or any other jurisdiction.**

### **NO CONSENT GIVEN OR RESPONSIBILITY FOR ANY PUBLIC OFFERINGS IN THE EEA OR IN THE UNITED KINGDOM**

The Issuer does not consent to the use of this Programme Memorandum by any financial intermediary or any other person for the purpose of making a public offering of the Securities in the EEA or in the United Kingdom, and the Issuer does not accept any responsibility for the content of this Programme Memorandum to any person with respect to the making of a public offering of the Securities by any financial intermediary or other person or for the actions of such financial intermediary or other person making such offer.

### **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 to undertake and perform its obligations in connection with the issue and performance of the Notes. The current update of the Programme and the issue of Notes have been duly authorised by resolutions of the Board of Directors of the Issuer passed on 27 January 2020.

### **LISTING**

The Programme has been approved by the Luxembourg Stock Exchange in connection with the admission to the Official List of the Luxembourg Stock Exchange and to trading on the Luxembourg Stock Exchange's Euro MTF of Notes issued by the Issuer under this Programme Memorandum. Notes issued under the Programme may be admitted to and traded on the Luxembourg Stock Exchange's Euro MTF or listed on 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 ADVERSE CHANGE**

Save as disclosed in "*Risk Factors – The full extent to which the recent coronavirus (COVID-19) pandemic impacts the SB Group's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted*", there has been no material adverse change in the prospects or the financial position of the Issuer since the date of its last published audited financial statements. The auditors of the Issuer did not participate in any due diligence performed by the Issuer in the making of this statement.

## **CLEARING INFORMATION**

Each Applicable Pricing Supplement in relation to each Series of Notes will specify whether the Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg and/or any other Relevant Clearing System, as the case may be. The Common Code, the International Securities Identification Number (ISIN) and/or identification number for any other Relevant Clearing System, as the case may be, for each Series of Notes will be set out in the Applicable Pricing Supplement.

The address of Euroclear is: 1 boulevard du Roi Albert II  
B-1210 Brussels  
Belgium

The address of Clearstream, Luxembourg is: 42 Avenue JF Kennedy  
L-1855 Luxembourg

## **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 have or have had a material effect on the financial position or the operations of the Issuer, nor is it aware of any such proceedings being threatened or pending.

An investment in Notes by a Noteholder is subject to the risks detailed in the section of this Programme Memorandum headed "*Risk Factors*".

## **AUDITORS**

PricewaterhouseCoopers Incorporated and KPMG Incorporated have acted as the auditors of the financial statements of the Issuer for the financial years ending 31 December 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019 in respect of these years, have issued unqualified audit reports in respect of the Issuer.

## **PUBLICATION**

This Programme Memorandum, any supplementary documents published since the date of this Programme Memorandum and any pricing supplements issued since the date of this Programme Memorandum are available on the Issuer's website ([www.standardbank.co.za](http://www.standardbank.co.za)) and the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

## **DOCUMENTS ON DISPLAY**

The following documents, or copies thereof, will be available during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted), in physical or electronic form, at the office of the Issuer and the office of the Paying Agent in Luxembourg:

- (a) 2018 and 2019 audited financial statements of the Issuer;
- (b) the Memorandum of Incorporation of the Issuer;

- (c) a copy of this Programme Memorandum, including any documents incorporated in this Programme Memorandum or any supplement to this Programme Memorandum;
- (d) any Pricing Supplement relating to Securities which are admitted to listing or trading on or by any listing authority or stock exchange;
- (e) the Agency Agreement;
- (f) the Programme Agreement;
- (g) the Deed of Covenant; and
- (h) any supplement or amendment to any of the foregoing.

#### **DE-LISTING**

The Issuer has no duty to maintain the listing (if any) of the Securities on the relevant stock exchange(s) over their entire lifetime. Securities may be suspended from trading and/or delisted at any time in accordance with applicable rules and regulations of the relevant stock exchange(s).

#### **SANCTIONS**

The Issuer shall not be liable for any loss or damage arising out of:

- (i) a Noteholder becoming subject to sanctions imposed by any Sanctioning Body; and
- (ii) the seizure, blocking or withholding of any funds in relation to a Noteholder by any Sanctioning Body.

The Issuer shall be entitled to immediately suspend or terminate performance in respect of a Note or any part thereof in the event that:

- (i) a Noteholder does anything that, directly or indirectly, benefits any third party against which sanctions have been established by a Sanctioning Body; or
- (ii) a Noteholder becomes the subject of sanctions established by a Sanctioning Body.



**ISSUER, ARRANGER AND DEALER**  
**The Standard Bank of South Africa Limited**  
(Registration Number 1962/000738/06)  
9th Floor  
Standard Bank Centre  
5 Simmonds Street  
Johannesburg, 2001  
South Africa  
Contact: Mr J Costa

**PRINCIPAL PAYING AGENT**  
**The Bank of New York Mellon**  
One Canada Square  
London, E14 5AL  
United Kingdom

**CALCULATION AGENT**  
**The Standard Bank of South Africa Limited**  
(Registration Number 1962/000738/06)  
9th Floor  
Standard Bank Centre  
5 Simmonds Street  
Johannesburg, 2001  
South Africa

**REGISTRAR, LUXEMBOURG PAYING AGENT AND LUXEMBOURG LISTING AGENT**

**The Bank of New York Mellon S.A./N.V., Luxembourg Branch**  
Vertigo Building, Polaris  
2-4 rue Eugène Ruppert, L-2453  
Luxembourg

**COMPANY SECRETARY**  
The Standard Bank of South Africa Limited  
(Registration Number 1962/000738/06)  
9th Floor, Standard Bank Centre  
5 Simmonds Street  
Johannesburg, 2001  
South Africa  
Contact: Ms Z Stephen

**LEGAL ADVISERS**  
*As to English Law*

CMS Cameron McKenna Nabarro Olswang LLP  
Cannon Place  
78 Cannon Street  
London  
EC4N 6AF  
England