

**PROGRAMME MEMORANDUM DATED 06 JULY 2020 (REGISTERED WITH THE JSE)**

**NQABA FINANCE 1 (RF) LIMITED  
(INCORPORATED WITH LIMITED LIABILITY IN SOUTH AFRICA UNDER REGISTRATION NUMBER 2005/040050/06)**

**ASSET BACKED NOTE PROGRAMME: R5 000 000 000**



**Arranger, Debt Sponsor and Dealer**

**WEBBER WENTZEL**

**In alliance with > Linklaters**

**Attorneys to Arranger and Issuer**

**PROGRAMME MEMORANDUM**  
**NQABA FINANCE 1 (RF) LIMITED**

*(Incorporated with limited liability in South Africa under registration number 2005/040050/06)*

**Asset Backed Note Programme**

On 13 April 2006, the Issuer issued a programme memorandum in respect of the Programme (the "**2006 Programme Memorandum**"). The 2006 Programme Memorandum was amended and restated in May 2009 and further amendments were made to the 2006 Programme Memorandum in terms of a supplement dated 24 May 2010. The Issuer further amended and consolidated amendments to the 2006 Programme Memorandum in terms of an amended and restated Programme Memorandum dated 23 May 2011 (the "**2011 Programme Memorandum**"). Certain amendments to the 2011 Programme Memorandum were further effected during 2012 and 2013 and which amendments were consolidated into an amended and restated Programme Memorandum, effective 22 May 2013 (the "**2013 Programme Memorandum**"). Certain amendments to the 2013 Programme Memorandum were further effected during 2017 and which amendments were consolidated into an amended and restated Programme Memorandum, effective 29 June 2017 (the "**2017 Programme Memorandum**"). Certain amendments to the 2017 Programme Memorandum were further effected during 2019 and which amendments were consolidated into an amended and restated Programme Memorandum, effective 17 December 2019 (the "**2019 Programme Memorandum**"). The Issuer further amended the 2019 Programme Memorandum, and consolidated all amendments into one document being this amended and restated Programme Memorandum. This Programme Memorandum amends, restates and replaces the 2019 Programme Memorandum with effect from the date of signature by the last of the directors to sign this Programme Memorandum.

Under this Asset Backed Note Programme (the "**Programme**"), **Nqaba Finance 1 (RF) Limited** (the "**Issuer**") may from time to time issue limited recourse secured registered notes (the "**Notes**") denominated in South African Rand, on the terms and conditions (the "**Terms and Conditions**") contained in the section of this Programme Memorandum headed "*Terms and Conditions of the Notes*". Capitalised terms used below are defined in the section of this Programme Memorandum headed "*Glossary of Definitions*".

Save as set out in this Programme Memorandum, the Notes will not be subject to any minimum or maximum maturity. This Programme Memorandum will apply to Notes issued under the Programme in an aggregate Outstanding Principal Amount which will not exceed R5 000 000 000, unless such aggregate Outstanding Principal Amount is increased as set out in the section of this Programme Memorandum headed "*General Description of the Programme*".

The Programme has been registered with the JSE. Each Tranche of Notes will be listed on the Interest Rate Market of the JSE or on such other or further exchange(s) as may be determined by the Issuer and the Dealer(s) and subject to any Applicable Laws. With respect to a Tranche of Notes listed on the Interest Rate Market of the JSE, the Applicable Pricing Supplement relating to that Tranche will be delivered to the JSE and the Central Securities Depository on or before the Issue Date, and the Notes in that Tranche may be traded by or through members of the JSE from the date specified in the Applicable Pricing Supplement. The trading of Notes listed on the Interest Rate Market of the JSE will take place in accordance with the rules and operating procedures for the time being of the JSE. The settlement of trades on the JSE will take place in accordance with the electronic settlement procedures of the JSE and the Central Securities Depository. The settlement and redemption procedures for a Tranche of Notes listed on another exchange, irrespective of whether that Tranche is listed on the Interest Rate Market of the JSE as well, will be specified in the Applicable Pricing Supplement.

The Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. Each Tranche of Notes will be subject to the Terms and Conditions; provided that the Applicable Pricing Supplement relating to a Tranche of Notes may specify other terms and conditions (which may replace, modify or supplement the Terms and Conditions). Details of a particular Tranche of Notes, and the additional terms and conditions specific to that Tranche of Notes, including the Principal Amount, the Interest Rate, the Issue Price, the Scheduled Maturity Date and the Final Maturity Date, will be specified in the Applicable Pricing Supplement.

Notes may be issued on a continuing basis and be placed by one or more Dealers appointed by the Issuer from time to time, which appointment may be for a specific issue or on an ongoing basis.

The Programme is not rated, but it is expected that certain Tranches of Notes issued under the Programme will be rated by the Rating Agency on a national scale basis. Unrated Tranches of Notes may also be issued and Tranches of Notes may be issued that are assigned a Rating by a different Rating Agency to the Rating Agency that assigned a Rating to any Tranche of Notes in issue, provided that, where applicable, the Rating Agency, upon written request by the Issuer, has confirmed in writing that all its respective current Rating(s) of Tranches of Notes in issue will not be adversely affected by the issue of such unrated Tranches of Notes. A Rating is not a recommendation to subscribe for, buy, sell or hold Notes and may be subject to revision, suspension or withdrawal at any time by the Rating Agency.

The Notes are not directly secured by any of the assets of the Issuer but the Security SPV will execute the limited recourse Security SPV Guarantee in favour of the Secured Creditors (including the Noteholders). All payments to be made to the Secured Creditors (including the Noteholders) (whether made by the Issuer or the Security SPV) will be made in accordance with the Priority of Payments. The attention of investors is drawn to the section of this Programme Memorandum headed "*Security*" for an understanding of the security structure relating to the Notes.

The Notes will be obligations solely of the Issuer. The Notes will not be obligations of, or the responsibility of, or guaranteed by, the Arranger, the Dealers, the other parties to the Transaction Documents or, save to the extent of the net amount recovered from the Issuer pursuant to the Issuer Indemnity and from the property realised pursuant to the other Security Agreements (and then subject to the payment of higher ranking creditors in the Priority of Payments), the Security SPV, or any of their respective Affiliates. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes will be accepted by the Arranger, the Dealers, the other parties to the Transaction Documents or, save to the extent of the net amount recovered from the Issuer pursuant to the Issuer Indemnity and from the property realised pursuant to the other Security Agreements, the Security SPV, or any of their respective Affiliates.

Prospective purchasers of Notes issued under the Programme should pay particular attention to the section of this Programme Memorandum headed "*Investment Considerations*".



**Arranger, Debt Sponsor and Dealer**

**ABSA BANK LIMITED**

The date of this Programme Memorandum is 06 July 2020

**Capitalised terms used in this Programme Memorandum are defined in the section of this Programme Memorandum headed "Glossary of Definitions" unless separately defined in this Programme Memorandum and/or the Applicable Pricing Supplement. Expressions defined in this Programme Memorandum will bear the same meanings in supplements to this Programme Memorandum which do not themselves contain their own definitions.**

*The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquires to ascertain such facts have been made and that this Programme Memorandum contains all information required by Applicable Law and the JSE Debt Listings Requirements. The Issuer accepts full responsibility for the accuracy of the information contained in this Programme Memorandum, the Applicable Pricing Supplements and the annual financial statements and any amendments or supplements to the aforementioned documents, except as otherwise stated therein.*

*This Programme Memorandum is to be read in conjunction with all documents which are deemed to be incorporated herein by reference. This Programme Memorandum shall be read and construed on the basis that such documents are incorporated into and form part of this Programme Memorandum. Any reference in this section to the Programme Memorandum, shall be read and construed as including such documents incorporated by reference.*

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

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

*Information contained in this Programme Memorandum with respect to the Arranger, the Dealers, the Debt Sponsor, the other parties to the Transaction Documents and the Security SPV has been obtained from each of them for information purposes only. The delivery of this Programme Memorandum shall not create any implication that there has been no change in the affairs of the Arranger, the Dealers, the Debt Sponsor, the other parties to the Transaction Documents or the Security SPV since the date hereof or that the information contained or referred to herein is correct as at any time subsequent to its date.*

*No person is authorised to give any information or to make any representation concerning the issue of the Notes other than those contained in this Programme Memorandum. Nevertheless, if any such information is given or representation made, it must not be relied upon as having been authorised by the JSE, the Issuer, the Arranger, the Dealers, the Debt Sponsor, the other parties to the Transaction Documents or the Security SPV, or any of their respective Affiliates or advisers. Neither the delivery of this Programme Memorandum nor any offer, sale, allotment or solicitation made in connection with the offering of the Notes shall, in any circumstances, create any implication or constitute a representation that there has been no change in the affairs of the Issuer since the date hereof or that the information contained in this Programme Memorandum is correct at any time subsequent to the date of this Programme Memorandum. The JSE, the Arranger, the Dealers, the Debt Sponsor and other advisers have not separately verified the information contained in this Programme Memorandum. Accordingly, neither the JSE, the Arranger, the Dealers, the Debt Sponsor, the Security SPV nor any of their respective Affiliates or advisers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Programme Memorandum or any other information supplied in connection with the Programme. Each person receiving this Programme Memorandum acknowledges that such person has not relied on the JSE, the Arranger, the Dealers, the Debt Sponsor, or any other person affiliated with the JSE, the Arranger, the Dealers or the Debt Sponsor in connection with its investigation of the accuracy of such information or its investment decision.*

*Neither this Programme Memorandum nor any other information supplied in connection with the Notes is intended to provide the basis of any credit or other evaluation, or should be considered as a recommendation by the JSE, the Issuer, the Arranger, the Dealers or the*

Debt Sponsor that any recipient of this Programme Memorandum or any other information supplied in connection with the Programme should subscribe for or purchase any Notes. Each person contemplating making an investment in the Notes must make its own investigation and analysis of the financial condition and affairs, and its own appraisal of the credit worthiness, of the Issuer and the terms of the offering and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment. The JSE, the Arranger, the Dealers and the Debt Sponsor do not undertake to review the financial condition or affairs of the Issuer nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Arranger, the Dealers or the Debt Sponsor.

The Notes will be obligations solely of the Issuer. The Notes will not be obligations of, or the responsibility of, or guaranteed by, any person other than the Issuer. In particular, the Notes will not be obligations of, or the responsibility of, or guaranteed by the Arranger, the Dealers, the Debt Sponsor or, save to the extent of the amount recovered from the Issuer in terms of the Issuer Indemnity and from the property realised from the other Security Agreements, the Security SPV. No liability whatsoever in respect of any failure by the Issuer to pay any amount due under the Notes shall be accepted by, the Arranger, the Dealers, the Debt Sponsor or the Security SPV.

**This Programme Memorandum does not constitute an offer or an invitation by or on behalf of the Issuer, the Arranger, the Dealers, the Debt Sponsor or the Security SPV to any person to subscribe for or purchase any of the Notes.** The distribution of this Programme Memorandum and the offering of the Notes in certain jurisdictions may be restricted by law. No representation is made by the Issuer, the Arranger, the Dealers, the Debt Sponsor or the Security SPV that this Programme Memorandum may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder and none of them assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger, the Dealers, the Debt Sponsor or the Security SPV which would permit a public offering of the Notes or distribution of this Programme Memorandum in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Programme Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Programme Memorandum comes are required by the Issuer, the Arranger, the Dealers and the Debt Sponsor to inform themselves about and to observe any such restrictions.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to any U.S. persons. In addition, there are restrictions on the distribution of this Programme Memorandum in South Africa and the United Kingdom. For a more complete description of certain restrictions on the offering, sale and delivery of Notes and distribution of this Programme Memorandum see the section of this Programme Memorandum headed "Subscription and Sale" below.

The terms of this Programme Memorandum, if sent to persons resident in jurisdictions outside South Africa, may be affected by the laws of the relevant jurisdiction. Such persons should inform themselves about and observe any applicable legal requirements in any such jurisdiction. It is the responsibility of any such person wishing to subscribe for or purchase the Notes to satisfy itself as to the full observance of the laws of the relevant jurisdiction therewith. If and to the extent that this Programme Memorandum is illegal in any jurisdiction, it is not made in such jurisdiction and this document is sent to persons in such jurisdiction for information purposes only.

References in this Programme Memorandum to "Rands" or "R" are to the lawful currency for the time being of South Africa.

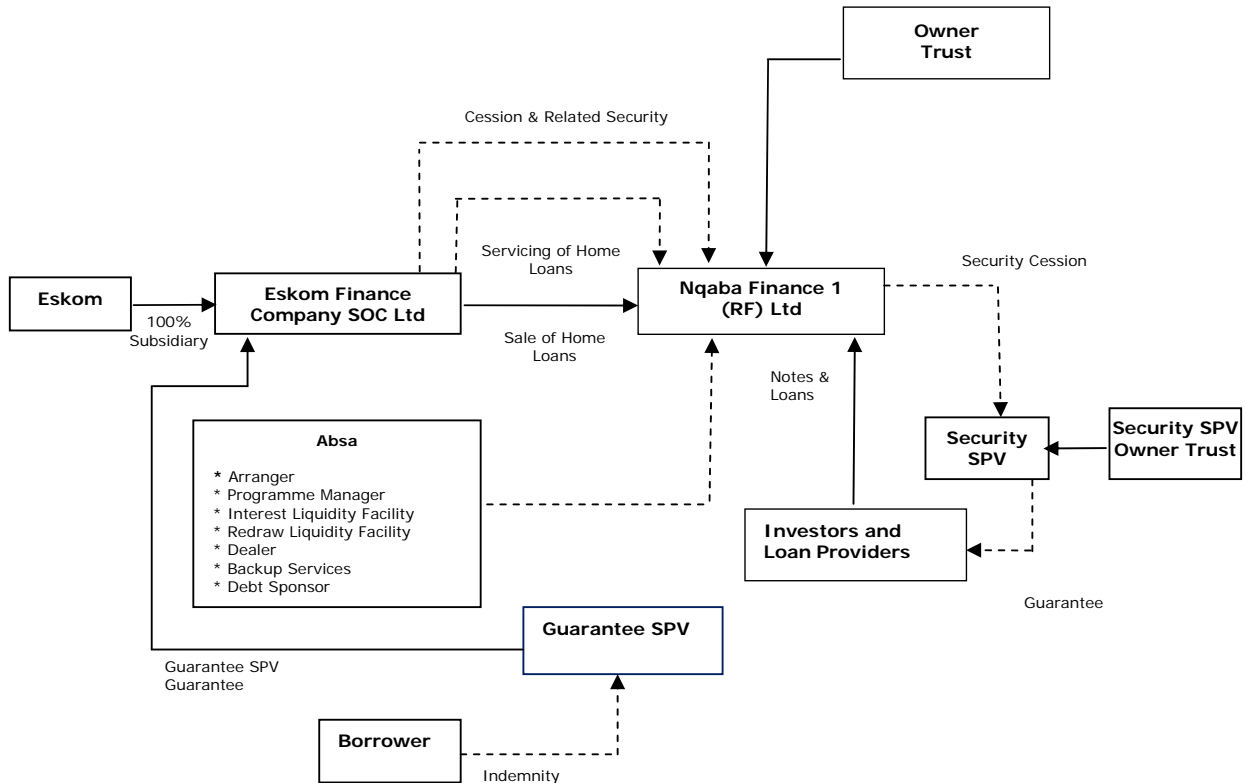
## TABLE OF CONTENTS

	<i>Page</i>
Transaction Overview	6
Documents Incorporated by Reference	8
General Description of the Programme	9
Summary of the Programme	10
Investment Considerations	19
Structural Features	26
Form of the Notes	32
Pro Forma Pricing Supplement	34
Terms and Conditions of the Notes	38
Use of Proceeds	65
Security	66
Priority of Payments	68
The Servicer's Credit Operations	75
The Issuer - Nqaba Finance 1 (RF) Limited	76
The Manager	77
The Servicer and the Servicing Agreement	78
The Home Loans	79
Settlement, Clearing and Transfers of Notes	83
South African Taxation	85
Exchange Control	86
Subscription and Sale	87
Glossary of Definitions	90
Accountants' Report	124
General Information	125
Corporate Information	126

## TRANSACTION OVERVIEW

A general description of the Programme is set out below. The general description does not purport to be complete and is taken from, and is qualified by, the remainder of this Programme Memorandum and in relation to any particular Tranche of Notes, the Applicable Pricing Supplement.

### Structural diagram



### Transaction steps:

- In terms of the Home Loan Sale Agreements, the Seller has sold and may sell Eligible Home Loans together with the benefit of the Related Security to an insolvency remote Issuer. The initial sale took place on various Transfer Dates prior to the Initial Issue Date. Further sales may take place on a monthly basis during the Revolving Period.
- An Eligible Home Loan sold in terms of the Home Loan Sale Agreement may be a Guaranteed Home Loan (a Home Loans secured by, among other things, a Guarantee SPV Guarantee given by the Guarantee SPV in favour of the Seller guaranteeing the Borrower's obligations to the Seller under the Home Loan Agreement) or a Mortgage Home Loan (a Home Loans secured by, among other things, a Mortgage Bond).
- The Issuer funded the initial purchase on the Initial Issue Date through the issuance of Notes and borrowings under the Subordinated Loan Agreement. Further purchases during the Revolving Period have been and may be made from the proceeds of further Note issues and, subject to the availability of sufficient cash in terms of the Priority of Payments, through the reinvestment of Principal Collections.

- EFC, as Servicer to the Issuer, has continued and will continue to perform the administration, servicing and management of the Home Loans and Related Security on behalf of the Issuer. Absa Home Loans has acted and will continue to act as Back-Up Servicer.
- Absa, as Manager to the Issuer, has provided and will continue to provide financial administration services to the Issuer, including administering the Priority of Payments.
- During the Revolving Period, Absa has provided and will continue to provide a Redraw Facility to fund the advance of Redraws, Re-advances and Further Advances and a Liquidity Facility to fund specified expenses of the Issuer up to and including interest on the Notes, provided that immediately following a drawdown under such facilities, the Asset Quality Test is satisfied.
- The Issuer has entered into and may enter into further Derivative Contracts with Derivative Counterparties with the Required Credit Rating to hedge the Issuer's interest rate risk exposure arising from a mismatch between the basis of the interest earned on the Home Loans and that payable on the Notes.
- EFC, as Preference Shareholder, is entitled to receive dividends in respect of the Preference Shares.
- Should an Arrears Reserve Trigger Event occur, the Issuer will pay an amount into the Arrears Reserve, in terms of the Priority of Payments, up to the Arrears Reserve Required Amount.
- The Security SPV has been incorporated for the purposes of holding and realising security for the benefit of Secured Creditors, including Noteholders, subject to the Priority of Payments.
- The Security SPV has furnished a limited recourse Security SPV Guarantee to the Noteholders and other Secured Creditors. The Issuer has indemnified the Security SPV in respect of claims made under the Security SPV Guarantee. As security for such Issuer Indemnity, the Issuer has ceded and pledged the assets of the Issuer to the Security SPV.



## DOCUMENTS INCORPORATED BY REFERENCE

The documents listed below are deemed to be incorporated in, and to form part of, this Programme Memorandum:

- (i) the audited annual financial statements of the Issuer for each financial year ending 31 March, together with such statements, reports, notes and other information (as required in terms of the JSE Debt Listings Requirements) attached to or intended to be read with such financial statements in respect of all financial years of the Issuer after the date of this Programme Memorandum, as and when such are approved and become available;
- (ii) the audited annual financial statements of the Security SPV for each financial year ending 31 March, together with such statements, reports, notes and other information (as required in terms of the JSE Debt Listings Requirements) attached to or intended to be read with such financial statements in respect of all financial years of the Security SPV after the date of this Programme Memorandum, as and when such are approved and become available;
- (iii) each Applicable Pricing Supplement;
- (iv) any other supplement to this Programme Memorandum circulated by the Issuer from time to time in accordance with the Programme Agreement;
- (v) the Security SPV Guarantee;
- (vi) each announcement made on Stock Exchange News Service ("**SENS**"); and
- (vii) the other Transaction Documents, namely the Common Terms Agreement, the Home Loan Sale Agreement, the Servicing Agreement, the Liquidity Facility Agreement, the Redraw Facility Agreement, the Subordinated Loan Agreement, the Management Agreement, the Bank Agreement, the Guaranteed Investment Contract, the Security Agreements, the Preference Share Subscription Agreement, the Notes, the Programme Agreement, any Note Subscription Agreement, the agreements entered into from time to time with Derivative Counterparties, the Safe Custody Agreement, the trust deed of the Owner Trust, the trust deed of the Security SPV Owner Trust, the memorandum of incorporation of the Issuer and the Security SPV and agreements that may be entered into from time to time with Approved Originators.

This Programme Memorandum and the documents listed in paragraph (vi) above are available for inspection, during normal office hours, at the Specified Offices of the Issuer. The documents listed in paragraphs (i), (ii), (iii), (iv) and (v) above will, as and when such documents are approved and become available, be available for inspection, during normal office hours, at the Specified Offices of the Issuer and on the Issuer's website (<http://www.eskom.co.za/OurCompany/Investors/NqabaFin1/Pages/default.aspx>). In addition, the most recent investor report will be made available for inspection at the Specified Offices of the Issuer and on the Issuer's website (<http://www.eskom.co.za/OurCompany/Investors/NqabaFin1/Pages/default.aspx>). This Programme Memorandum is and, when they become available, the documents listed in paragraphs (iii) and (iv) above will also be available for inspection on the JSE's website.

Any statement contained in this Programme Memorandum or in any document which is incorporated by reference into this Programme Memorandum will be deemed to be modified or superseded for the purposes of this Programme Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference in this Programme Memorandum modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Issuer will publish a new Programme Memorandum or a further supplement to this Programme Memorandum, as the case may be, on the occasion of any subsequent issue of Notes where there has been:

- (a) a material adverse change in the condition (financial or otherwise) in respect of the Issuer which is not then reflected in this Programme Memorandum or any supplement to this Programme Memorandum; or
- (b) any modification of the terms of the Programme which would make this Programme Memorandum inaccurate or misleading, including, but not limited to, accession to the Programme by further Approved Originators.

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

## GENERAL DESCRIPTION OF THE PROGRAMME

*A general description of the Programme and the Terms and Conditions is set out below. The general description does not purport to be complete and is taken from, and is qualified by, the remainder of this Programme Memorandum and, in relation to any particular Tranche of Notes, the Applicable Pricing Supplement.*

Under the Programme, the Issuer may from time to time issue Notes denominated in Rand. The Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Series of Notes may, together with a further Series of Notes or more than one Series of Notes, form a Class of Notes. The Issuer will not require the consent of Noteholders for the issue of any Tranche of Notes.

Each Tranche of Notes will be listed on the Interest Rate Market of the JSE or on such other or further exchange(s) as may be determined by the Issuer and the Dealer(s) and subject to any Applicable Laws.

Each Tranche of Notes is subject to the Terms and Conditions; provided that the Applicable Pricing Supplement may specify other terms and conditions (which may replace, modify or supplement the Terms and Conditions), in which event such other terms and conditions shall, to the extent so specified in the Applicable Pricing Supplement or to the extent inconsistent with the Terms and Conditions, replace, modify or supplement the Terms and Conditions for the purpose of that Tranche of Notes.

The Programme is not rated, but it is expected that certain Tranches of Notes issued under the Programme will be rated by the Rating Agency on a national scale basis. Unrated Tranches of Notes may also be issued and Tranches of Notes may be issued that are assigned a Rating by a different Rating Agency to the Rating Agency that assigned a Rating to any Tranche of Notes in issue, provided that the Rating Agency, upon written request by the Issuer, has confirmed in writing that all its respective current Rating(s) of Tranches of Notes in issue will not be adversely affected by the issue of such unrated Tranches of Notes. The Applicable Pricing Supplement will reflect the Rating, if any, which has been assigned to a Tranche of Notes, as well as the Rating Agency or Rating Agencies which assigned such Rating or Ratings. A Rating is not a recommendation to subscribe for, buy, sell or hold Notes and may be subject to revision, suspension or withdrawal at any time by the Rating Agency. Any change in the Rating assigned by the Rating Agency will be notified to the JSE and an announcement to that effect will be published on SENS as soon as possible thereafter in compliance with the JSE Debt Listings Requirements.

This Programme Memorandum will apply to Notes in issue by the Issuer under the Programme in an aggregate Outstanding Principal Amount which does not exceed R5 000 000 000, unless such aggregate Outstanding Principal Amount is increased in accordance with the Programme Agreement, as set out below.

From time to time the Issuer may wish to increase the aggregate Outstanding Principal Amount of the Notes that may be in issue by the Issuer under the Programme. Subject to the listings requirements of the JSE and/or such other or further exchange(s) on which any Tranche of Notes may be listed, to any Applicable Law and the Programme Agreement, the Issuer may, without the consent of Noteholders, increase the aggregate Outstanding Principal Amount of the Notes that may be in issue by the Issuer under the Programme by delivering a notice thereof to the Arranger and the Dealers. Upon such notice being given and the conditions set out in the Programme Agreement to the exercise of this right having been met, all references in this Programme Memorandum, or any other agreement, deed or document relating to the Programme, to the aggregate Outstanding Principal Amount of the Notes that may be in issue by the Issuer under the Programme will be, and will be deemed to be, references to the increased aggregate Outstanding Principal Amount set out in such notice.

## SUMMARY OF THE PROGRAMME

*The information set out below is a brief summary of certain aspects of the Programme. The 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 any particular Tranche of Notes, the Applicable Pricing Supplement.*

### Transaction Parties

<b>Issuer</b>	Nqaba Finance 1 (RF) Limited.
<b>Debt Sponsor</b>	Absa.
<b>Arranger</b>	Absa.
<b>Dealers</b>	Absa and any other Dealer appointed under the Programme from time to time in terms of the Programme Agreement, which appointment may be for a specific issue or on an ongoing basis.
<b>Manager</b>	Absa which will be appointed in terms of the Management Agreement to advise the Issuer in relation to the management of the Programme and, as the Issuer's agent, to exercise the Issuer's rights, powers and duties under the Transaction Documents, including administering the Priority of Payments.
<b>Originator and Seller</b>	Eskom Finance Company SOC Ltd, its successors-in-title or assigns. Further Approved Originators may accede to the Programme.
<b>Servicer</b>	Eskom Finance Company SOC Ltd, its successors-in-title or assigns in terms of the Servicing Agreement, which will be appointed in terms of the Servicing Agreement, as the Issuer's agent, to exercise the Issuer's rights, powers and duties under the Home Loan Agreements and the Related Security, including implementing the collections, arrears, foreclosure and cancellations procedures.
<b>Back-Up Servicer</b>	Absa Home Loans, a division of Absa Bank Limited or such other person who may be appointed as back-up servicer in terms of the Servicing Agreement.
<b>Redraw Facility Provider</b>	Absa, or such other entity with the Required Credit Rating, which will be appointed in terms of the Redraw Facility Agreement to fund Redraws, Re-advances and Further Advances.
<b>Liquidity Facility Provider</b>	Absa, or such other entity with the Required Credit Rating, which will be appointed in terms of the Liquidity Facility Agreement to fund Liquidity Shortfalls.
<b>Subordinated Lender</b>	Eskom Finance Company SOC Ltd, its successors-in-title or assigns in its capacity as lender under the Subordinated Loan Agreement, or such other person as may be appointed as lender in accordance with the provisions of a Subordinated Loan Agreement to fund a portion of the purchase consideration in respect of the acquisition of Home Loans by the Issuer or to

redeem outstanding Notes and repay Subordinated Loans, as specified in the Applicable Pricing Supplement.

For a brief description of the business of Eskom Finance Company SOC Ltd, see the section of this Programme Memorandum titled "*The Servicer's Credit Operations*".

<b>Preference Shareholder</b>	Eskom Finance Company SOC Ltd or such other entity as may become the holder of the Preference Share/s.
<b>Derivative Counterparty/ies</b>	Any entity with the Required Credit Rating with whom the Issuer may enter into one or more Derivative Contracts.
<b>Account Bank</b>	Absa Bank Limited or such other bank with the Required Credit Rating which will be appointed in terms of the Bank Agreement and at which the Bank Accounts will be held.
<b>GIC Provider</b>	Absa, or its successors-in-title, in its capacity as provider of the guaranteed rate of return under the Guaranteed Investment Contract, or such other person as may be appointed under the terms of the Guaranteed Investment Contract.
<b>Calculation Agent</b>	Absa, which will be appointed in terms of the Management Agreement or a separate Calculation Agent Agreement to perform certain calculations in respect of the Notes.
<b>Safe Custody Agent</b>	Absa Bank Limited, acting through its Investor Services Division, or such other Participant with whom the Issuer has entered into a Safe Custody Agreement.
<b>Transfer Agent</b>	Absa, which will be appointed in terms of the Management Agreement or a separate Transfer Agent Agreement to perform certain transfer agency functions in respect of the Notes.
<b>Settlement Agent</b>	Standard Chartered Bank, pursuant to an agreement between Absa and Standard Chartered Bank, to provide safe custody and settlement services to the Issuer.
<b>Owner Trust</b>	Nqaba Finance 1 Owner Trust, which is the holder of all the ordinary shares in the share capital of the Issuer. The current trustee of the Owner Trust is Maitland Trustees (Proprietary) Limited.
<b>Security SPV</b>	Nqaba Finance 1 Security SPV (RF) (Proprietary) Limited, the company which is incorporated to hold and realise security for the benefit of Secured Creditors, subject to the Priority of Payments.
<b>Security SPV Owner Trust</b>	Nqaba Finance 1 Security SPV Owner Trust, which is the holder of all the ordinary shares in the share capital of the Security SPV. The current trustee of the Owner Trust is Maitland Trustees (Proprietary) Limited.
<b>Rating Agency</b>	Moody's Investor Services Limited and/or such other rating

agency as may be appointed by the Issuer from time to time.

**Auditor**

SizweNtsalubaGobodo Grant Thornton Inc, or such other independent auditor (or independent firm of auditors) as may be selected by the Issuer from time to time.

**Noteholder(s)**

The holders of the Notes (as recorded in the Register).

**Secured Creditors**

Each of the creditors of the Issuer set out in the Priority of Payments that is a party to a Transaction Document.

*Structural Features*

**Home Loans**

The Home Loans comprise amortising Home Loans originated by EFC or other Approved Originators in the ordinary course of business in South Africa. The Home Loans are advanced to Borrowers, for the purchase of immovable residential property (including sectional title property), situated in South Africa against the security of Mortgage Bonds registered over the Properties in favour of the Home Loan Lender or the security of Guarantee SPV Guarantees, which in turn are secured by Indemnities and Indemnity Bonds registered over the Properties in favour of and in the name of the Guarantee SPV or other Related Security.

**Home Loan Sale Agreement**

In terms of the Home Loan Sale Agreement, the Seller may from time to time during the Revolving Period offer Home Loans, complying with the Eligibility Criteria, to the Issuer for purchase. The Issuer shall purchase such Home Loans to the extent that it has funds available for such purpose in terms of the Priority of Payments.

**Redraws, Re-advances and Further Advances**

The Issuer may, in its discretion, advance Redraws, Re-advances and Further Advances to Borrowers on any day during the Revolving Period, subject to the satisfaction of certain conditions specified in the Servicing Agreement. The Issuer shall, when so obliged, advance Redraws, Re-advances and Further Advances to Borrowers on any day during the Revolving Period and the Amortisation Period.

**Redraw Facility**

The Issuer has entered into a revolving loan facility with the Redraw Facility Provider. Such facility is used for the sole purpose of funding Redraws, Re-advances and Further Advances. (See the section of this Programme Memorandum headed "*Structural Features*" for a further description of the Redraw Facility).

**Subordinated Loans**

On the Initial Issue Date, the Issuer entered into a Subordinated Loan Agreement with the Subordinated Lender. As may be needed on subsequent Issue Dates, the Issuer will enter into further Subordinated Loan Agreements with the Subordinated Lender and/or issue Subordinated Notes, which will provide credit enhancement in respect of the higher ranking Notes issued on such Issue Date. The Subordinated Loans and/or Subordinated

Notes may be utilised by the Issuer to fund a portion of the Purchase Price of the Home Loans or to redeem outstanding Notes and repay Subordinated Loans, as specified in the Applicable Pricing Supplement. The principal amount of such Subordinated Loans and/or Subordinated Notes will be specified in the Applicable Pricing Supplement. The aggregate principal amount of all Subordinated Loans advanced to the Issuer from time to time in terms of the Subordinated Loan Agreements, may not exceed 18% of the Outstanding Principal Amount of the Notes (including Subordinated Notes) in issue from time to time.

During the Revolving Period, the Subordinated Notes and the Subordinated Loan shall not be repaid.

#### **Arrears Reserve**

On any Determination Date, should the aggregate Arrears on the Home Loans exceed certain levels and trigger an Arrears Reserve Trigger Event, the Issuer will be required to pay an amount into the Arrears Reserve, in terms of the Priority of Payments, up to the Arrears Reserve Required Amount. Any amounts by which the balance on the Arrears Reserve exceeds the Arrears Reserve Required Amount will be paid into the Transaction Account.

The Arrears Reserve will be available to meet interest and principal payments on the Notes (other than the Class E Notes), on any Payment Date, in the event of a shortfall in available funds for that purpose in terms of the Priority of Payments.

#### **Liquidity Facility**

The Issuer has entered into a revolving loan facility with the Liquidity Facility Provider. Such facility is used for the sole purpose of funding Liquidity Shortfalls. (See the section of this Programme Memorandum headed "*Structural Features*" for a description of the Liquidity Facility.)

#### **Permitted Investments**

The Issuer is entitled to invest cash standing to the credit of the Bank Accounts from time to time in Permitted Investments.

#### **Negative Pledge**

Condition 10 of the Terms and Conditions provides for negative pledge and other restrictions on the Issuer requiring the consent of the Security SPV relating, among other things, to activities, disposals, bank accounts, dividends, distributions, borrowings and amendments to the Transaction Documents.

#### *Programme Description*

#### **Description of the Programme**

The Nqaba Finance 1 (RF) Limited R 5 000 000 000 Asset Backed Note Programme.

#### **Size of the Programme**

Up to R 5 000 000 000 outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms and conditions of the Programme Agreement and subject to any required regulatory approvals.

#### **Rating of Notes**

The Programme is not rated, but it is expected that certain

Tranches of Notes issued under the Programme will be rated by the Rating Agency on a national scale basis. The Rating and the Rating Agency will be specified in the Applicable Pricing Supplement.

Unrated Tranches of Notes may also be issued and Tranches of Notes may be issued that are assigned a Rating by a different Rating Agency to the Rating Agency that assigned a Rating to any Tranche of Notes in issue, provided that, where applicable, the Rating Agency, upon written request by the Issuer, has confirmed in writing that all its respective current Rating(s) of Tranches of Notes in issue will not be adversely affected by the issue of such unrated Tranches of Notes. A Rating is not a recommendation to subscribe for, buy, sell or hold Notes and may be subject to revision, suspension or withdrawal at any time by the Rating Agency. Any change in the Rating assigned by the Rating Agency will be notified to the JSE and an announcement to that effect will be published on SENS as soon as possible thereafter in compliance with the JSE Debt Listings Requirements.

#### **Notes**

Limited recourse, secured, registered notes issued by the Issuer under the Programme. The description of, and terms and conditions applicable to, Notes other than those specifically described in this Programme Memorandum will be set out in the Applicable Pricing Supplement.

Payments (whether in respect of interest or principal) in respect of the Notes may be determined by reference to such fixed or floating rates or such indices or formulae as may be specified in the Applicable Pricing Supplement. Notes may be:

- (a) interest-bearing or non-interest bearing;
- (b) issued at par, a premium or a discount;
- (c) issued in fully paid up form;
- (d) exchangeable for other assets;
- (e) issued with such other characteristics as may be specified in the Applicable Pricing Supplement.

#### **Form of Notes**

Notes will be issued in registered form.

#### **Currency**

Notes may only be issued in South African Rand, the lawful currency of South Africa.

#### **Terms and Conditions**

Each Tranche of Notes is subject to the Terms and Conditions (see the section of this Programme Memorandum headed "*Terms and Conditions of the Notes*"); provided that the Applicable Pricing Supplement may specify other terms and conditions (which may replace, modify or supplement the Terms and Conditions).



<b>Issue Price</b>	Each Note in a Tranche will be issued on a fully-paid basis, at an issue price which is at its Principal Amount or at a discount to, or premium over, its Principal Amount, as specified in the Applicable Pricing Supplement.
<b>Denomination of Notes</b>	Notes will be issued with a minimum denomination of not less than R1 000 000, as specified in the Applicable Pricing Supplement.
<b>Maturities</b>	The Notes are not subject to any minimum or maximum maturity. The maturity of each Tranche of Notes will be specified in the Applicable Pricing Supplement.
<b>Interest Rate and Interest Payment Dates</b>	As specified in the Applicable Pricing Supplement.
<b>Register</b>	The Register will be maintained by the Transfer Agent in terms of the Terms and Conditions.
<b>Register Closed</b>	The Register will, in respect of each Tranche of Notes, be closed prior to each Interest Payment Date and Redemption Date, for the periods described in Condition 16, in order to determine those Noteholders entitled to receive payments.
<b>Status of Notes</b>	<p>The Notes are direct, limited recourse, secured obligations of the Issuer.</p> <p>The claims of each Noteholder of a Class of Notes (whether in respect of principal, interest or otherwise) are subordinated to the claims of higher ranking creditors of the Issuer (including Noteholders of higher ranking Classes of Notes) in accordance with the Priority of Payments. The Notes of each Class of Notes rank <i>pari passu</i> among themselves.</p>
<b>Security</b>	The Notes are limited recourse obligations of the Issuer only. The Issuer's obligations under the Notes are not directly secured by any of the assets of the Issuer, but the payment obligations of the Issuer in terms of the Notes are guaranteed by the Security SPV in terms of the Security SPV Guarantee. In terms of the Issuer Indemnity, the Issuer indemnifies the Security SPV in respect of claims made under the Security SPV Guarantee. The liability of the Security SPV pursuant to the Security SPV Guarantee is limited in the aggregate to the net amount recovered by the Security SPV from the Issuer pursuant to the Issuer Indemnity and from the property realised pursuant to the other Security Agreements. Under the Security Cession, the Issuer cedes and pledges the assets of the Issuer to the Security SPV as security for the Issuer's obligations under the Issuer Indemnity (see the section of this Programme Memorandum headed " <i>Security</i> ").
<b>Final Redemption</b>	Unless redeemed at a prior date, the Issuer shall redeem each Note in a Tranche of Notes at its Outstanding Principal Amount (together with accrued interest) on the Final Maturity Date specified in the Applicable Pricing Supplement, as more fully

described in Condition 7.1.

**Scheduled Redemption (during the Revolving Period)**

The Issuer shall, subject to Condition 7.3, redeem all, but not some only, of the Notes in a Tranche of Notes at their aggregate Outstanding Principal Amount (together with accrued interest) on the Scheduled Maturity Date specified in the Applicable Pricing Supplement, as more fully described in Condition 7.2.

**Mandatory Redemption in part (during the Revolving Period, as from the Scheduled Maturity Date)**

If the Notes in a Tranche are not redeemed in full on the Scheduled Maturity Date, the Notes in that Tranche and the Notes in each other Tranche of Notes having that Scheduled Maturity Date, will be subject to mandatory redemption in part on each Interest Payment Date on and as from the Scheduled Maturity Date, in reducing order of rank (and *pari passu* if of equal rank) as determined by the respective Classes of such Notes, to the extent permitted by and in accordance with the Priority of Payments, as more fully described in Condition 7.3.

**Mandatory Redemption in part (during the Revolving Period, prior to the Scheduled Maturity Date)**

The Notes in all Tranches of Notes will be subject to mandatory redemption in part on each Interest Payment Date during the Revolving Period, prior to their Scheduled Maturity Dates, if there are no or insufficient Further Advances and Additional Home Loans offered to the Issuer for purchase or if any conditions to purchase are not satisfied, to the extent that on such Interest Payment Date the Issuer has available funds for this purpose in accordance with the Priority of Payments, as more fully described in Condition 7.4 of the Notes. In relation to the Class A Notes, such amount shall be allocated first to those Class A Notes specified in the Applicable Pricing Supplements as Prepayment Class A Notes, until such Prepayment Class A Notes have been redeemed in full, and then only to the other Class A Notes.

**Mandatory Redemption in part (Amortisation Period)**

The Notes in all Tranches of Notes will be subject to mandatory redemption in part on each Interest Payment Date during the Amortisation Period, in reducing order of rank (and *pari passu* if of equal rank) as determined by the respective Classes of the Notes, to the extent permitted by and in accordance with the Priority of Payments, as more fully described in Condition 7.5.

**Mandatory Redemption following delivery of an Enforcement Notice**

Upon the delivery of an Enforcement Notice (following the occurrence of an Event of Default), the Notes in all Tranches of Notes will be immediately due and payable, and the Notes will be redeemed in accordance with Condition 11.

**Optional Redemption**

The Issuer may redeem early all, but not some only, of the Notes in a Tranche of Notes, in full but not in part, at their Outstanding Principal Amount (together with accrued interest) upon not less than 20 days' notice:

- (i) on any Interest Payment Date after the Scheduled Maturity Date of such Tranche of Notes, if the Issuer has not redeemed the Notes in that Tranche in full on the Scheduled Maturity Date, as more fully described in

Condition 7.6.1; or

- (ii) for tax reasons, as more fully described in Condition 7.7 of the terms and conditions of the Notes.

On any Interest Payment Date during the Amortisation Period on which the aggregate Outstanding Principal Amount of the Notes is equal to or less than 10% of the maximum aggregate Outstanding Principal Amount of the Notes that have been in issue at any time, the Issuer may redeem early all, but not some only, of the Notes in full but not in part, at their Outstanding Principal Amount (together with accrued interest) upon not less than 20 days' notice, as more fully described in Condition 7.6.2.

### **Priority of Payments**

The Priority of Payments is the sequence in which the Issuer or the Security SPV, as the case may be, will make payments to creditors of the Issuer (including Noteholders and other Secured Creditors).

The Issuer and the Security SPV have contracted with each existing Secured Creditor and shall contract with any new Secured Creditor on the basis that payments due to it in terms of a Transaction Document shall be made, to the extent permitted by and in accordance with, the Priority of Payments, so that a Secured Creditor that ranks subsequent to any other creditor in the Priority of Payments will not be paid unless and until all other creditors which rank prior to it in the Priority of Payments have been paid in full all amounts then due and payable to them by the Issuer or the Security SPV, as the case may be, or amounts accrued up to that date have been provided for.

The Pre-Enforcement Priority of Payments applicable during the Revolving Period applies during the Revolving Period and prior to delivery of an Enforcement Notice. The Pre-Enforcement Priority of Payments applicable during the Amortisation Period applies during the Amortisation Period and prior to delivery of an Enforcement Notice. The Post-Enforcement Priority of Payments applies after delivery of an Enforcement Notice. The Pre-Enforcement Priority of Payments applicable during the Revolving Period, the Pre-Enforcement Priority of Payments applicable during the Amortisation Period and the Post-Enforcement Priority of Payments are set out in the Management Agreement, as described in the section of this Programme Memorandum headed "*Priority of Payments*".

### **Limited Enforcement**

The power of Secured Creditors to take action in respect of their claims is limited in the manner set out in Condition 12 and the Common Terms Agreement.

### **Securities Transfer Tax**

In terms of current South African legislation as at the date of this Programme Memorandum, no securities transfer tax is payable by the Issuer on the original issue of, or on the registration of transfer of, Notes on the basis that the Notes will not comprise a "security"

as defined in section 1 of the Securities Transfer Tax Act, 2007. Any future stamp duties that may be introduced will be for the account of Noteholders.

**Withholding Tax**

Payments in respect of interest and principal will be made without withholding or deduction for Taxes unless such withholding or deduction is required by law. In the event that such withholding or deduction is required by law, the Issuer will not be obliged to pay additional amounts in relation thereto.

**Tax Status**

A summary of applicable current South African Tax legislation appears in the section of this Programme Memorandum headed "*South African Taxation*". The section does not constitute tax advice and investors should consult their own professional advisers.

**Governing Law**

The Notes and the other Transaction Documents will be governed by, and construed in accordance with, the laws of South Africa.

**Distribution**

Notes may be offered by way of private placement or any other means permitted by law as determined by the Issuer and reflected in the Applicable Pricing Supplement.

**Selling Restrictions**

The distribution of this Programme Memorandum and the placing of a particular Tranche of Notes may be restricted by law in certain jurisdictions, and are restricted by law in the United States of America, the United Kingdom and South Africa. Any relevant selling restrictions and other restrictions as may be required to be met in relation to an offering or sale of a particular Tranche of Notes shall be included in the Applicable Pricing Supplement. Persons who come into possession of this Programme Memorandum or the Applicable Pricing Supplement must inform themselves about and observe such restrictions.

**Blocked Rand**

Blocked Rand may be used for the subscription for or purchase of Notes, subject to South African Exchange Control Regulations, 1961, promulgated under the Currency and Exchanges Act, 1933.

## **INVESTMENT CONSIDERATIONS**

*Prospective investors should carefully consider the following investment considerations, in addition to the matters described elsewhere in this Programme Memorandum, prior to investing in the Notes. The matters set out in this section are not necessarily exhaustive and prospective investors must form their own judgement in regard to the suitability of the investment they are making.*

### **Ratings of the Notes**

It is expected that certain Tranches of Notes issued under the Programme will be rated by an internationally recognised rating agency on a national scale basis. Unrated Tranches of Notes may also be issued and Tranches of Notes may be issued that are assigned a Rating by a different Rating Agency to the Rating Agency that assigned a Rating to any Tranche of Notes in issue, provided that the Rating Agency, upon written request by the Issuer, has confirmed in writing that all its respective current Rating(s) of Tranches of Notes in issue will not be adversely affected by the issue of such unrated Tranches of Notes. The Rating of any Tranche of Notes is not a recommendation to subscribe for, purchase, hold or sell Notes, inasmuch as, among other things, such Rating does not comment on the market price or suitability of the Notes for a particular investor. The Rating of a Tranche of Notes only addresses the likelihood that the aggregate principal of such Notes will be fully repaid by the Final Maturity Date of such Notes and that the interest payable in respect of such Notes will be paid on a timely basis. Such Rating does not address the likelihood of repayment of the aggregate principal of any such Notes or any portion thereof before the Final Maturity Date. Notwithstanding the above, as of the date of this Programme Memorandum, the Rating of the Class A Notes addresses the likelihood that the aggregate principal will be fully repaid by the Final Maturity Date of such Notes and that the interest payable in respect of such Notes will be timeously paid. The Rating of any other tranche of Notes only addresses the likelihood that the aggregate principal of such Notes will be fully repaid on the Final Maturity Date and the interest payable in respect of such Notes will be paid in accordance with the Priority of Payments.

There can be no assurance that any rating agency other than the Rating Agency will issue a rating and, if so, what such rating will be. A rating assigned to a Tranche of Notes by a rating agency that has not been requested by the Issuer to do so, may be lower than the equivalent Rating assigned by the Rating Agency, or such rating agency may assign an international scale rating which could be lower than national scale ratings assigned by the Rating Agency. In addition, there can be no assurance that a Rating will remain for any given period of time or that the Rating will not be lowered or withdrawn entirely by the assigning Rating Agency if, in its judgment, circumstances in the future warrant such action. There can be no assurance of any connection between the national scale rating and any international scale rating.

### **Warranties**

Neither the Issuer nor the Security SPV has undertaken or will undertake any investigations, searches or other actions in respect of the Home Loans and Related Security, and each will rely instead on the warranties given by the Seller in the Home Loan Sale Agreement. There can be no assurance that the Seller will have the financial resources to honour its obligations under such warranties. Such obligations are not guaranteed by, nor will they be the responsibility of, any person other than the Seller and neither the Issuer nor the Security SPV shall have any contractual recourse to any other person in the event that the Seller, for whatever reason, fails to meet such obligations.

### **Non-Recourse Obligations**

The Notes will be obligations solely of the Issuer. In particular, without limitation, the Notes will not be obligations of, and will not be guaranteed by, the Arranger, the Dealers, the Seller, the Servicer, the Back-Up Servicer, the Manager, the Liquidity Facility Provider, the Redraw Facility Provider, the Subordinated Lender, the Preference Shareholder, the Derivative Counterparties or, save to the extent of the net amount recovered from the Issuer pursuant to the Issuer Indemnity and from the property realised pursuant to the other Security Agreements, the Security SPV. The Issuer will rely solely on its assets, and the receipt of amounts on or in respect of such assets, including primarily the receipt of payments in respect of amounts due under or in connection with the Home Loans and Related Security purchased by it, the cash available in the Transaction Account and from the Permitted Investments, and, if applicable, the proceeds of the re-issue of Notes to enable it to make payments in respect of the Notes.

Following a claim under the Security SPV Guarantee, the Security SPV will have recourse against the Issuer under the Issuer Indemnity, such recourse being limited to the assets of the Issuer, which assets have, in terms of the Security Cession, been secured by a cession *in securitatem debiti* in favour of the Security SPV. The assets comprise, among other things, the Home Loans, collateral

security in respect of the Home Loans, Permitted Investments, the Bank Accounts and Account Monies. Following a claim under the Security SPV Guarantee, the Security SPV will have recourse against the Owner Trustee under the Owner Trust Suretyship and the Owner Trust Pledge, such recourse being limited to the extent of the shares owned by the Owner Trust in the Issuer pledged to the Security SPV under the Owner Trust Pledge.

If, upon default by Borrowers and after the exercise by the Servicer of remedies in terms of the credit procedures and policies in respect of the Home Loans, the Issuer does not receive the full amount due from those Borrowers, then Noteholders may receive by way of principal repayment an amount less than the Outstanding Principal Amount of their Notes and the Issuer may be unable to pay in full or in part interest due on the Notes.

### **Priority of Payments**

The Management Agreement prescribes a “Pre-Enforcement Priority of Payments applicable during the Revolving Period” in which the Secured Creditors will be paid during the Revolving Period and prior to delivery of an Enforcement Notice, a “Pre-Enforcement Priority of Payments applicable during the Amortisation Period” in which the Secured Creditors will be paid during the Amortisation Period and prior to delivery of an Enforcement Notice and a “Post-Enforcement Priority of Payments” applicable after delivery of an Enforcement Notice.

The claims of all Secured Creditors are subordinated in accordance with the Priority of Payments, and the Secured Creditors will be entitled, notwithstanding the amount of any payments owing to them under the Transaction Documents, to receive payment from the Issuer or the Security SPV, as the case may be, only to the extent permitted by and in accordance with the Priority of Payments.

The subordinations envisaged by the Priority of Payments, the Terms and Conditions and the other Transaction Documents are contractual in nature, and their enforcement against the parties to the Transaction Documents and against third parties is limited accordingly. In particular, creditors of the Issuer who are not parties to the Transaction Documents may not be bound by the Priority of Payments and may accordingly be entitled under Applicable Law to assert a payment priority inconsistent with the ranking otherwise accorded to them in the Priority of Payments.

As described below in the paragraph “Liquidation of the Issuer”, the Issuer is structured as an insolvency remote, ring-fenced special purpose vehicle which limits the risk of external creditors who are not bound by the Priority of Payments.

### **Limited Liquidity of the Notes and Restrictions on Transfer**

Currently no secondary market exists for the Notes. 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 Noteholders with liquidity of investment or that it will continue for the life of such Notes. Consequently, a subscriber must be prepared to hold such Notes until the relevant Final Maturity Date.

Noteholders that trade in the Notes during the period that the Register is closed, will need to reconcile any amounts payable on the following Payment Date pursuant to any partial redemption of the Notes. As a result, secondary market liquidity of the Notes may reduce during this period.

### **Counterparty Risk**

There is a risk that counterparties to agreements with the Issuer, such as Derivative Counterparties, the Liquidity Facility Provider and the Redraw Facility Provider, may not perform their obligations under those agreements and this may affect the ability of the Issuer to pay interest and/or principal on the Notes. In terms of the Transaction Documents, this risk is mitigated by requiring certain parties to hold a Required Credit Rating.

### **Downgrade Risk**

If a party to a Transaction Document is required to hold a Required Credit Rating and ceases to hold such Required Credit Rating, then such party's obligations may be guaranteed by another party which has the Required Credit Rating or a replacement party with the Required Credit Rating will be appointed, if such other party is available and willing to act. No assurance can be given that a guarantor

or replacement party with the Required Credit Rating will be appointed. In certain circumstances, cash collateral may be taken to protect the Issuer's interest in the relevant Transaction Document.

### **Concentration of Borrowers**

Concentrations of Borrowers employed by a single employer or a limited number of employers creates a linkage between the rating of the Notes and the rating of the employer. At the Initial Issue Date approximately 96% of the underlying Borrowers are employed by Eskom which is rated B2 on a global rating scale. Should the concentration of Borrowers change post the Initial Issue Date, the Rating of the Notes may be impacted. To mitigate the risk of a change to the composition of the portfolio post the Initial Issue Date, a Portfolio Covenant has been included requiring that the number of Borrowers employed by Eskom (excluding those Borrowers employed by Eskom group companies) must be greater than or equal to 85% of the total Borrowers. A further consideration which reduces the risk of defaults by Borrowers under Home Loans is the Required Minimum Payroll Deduction Percentage Portfolio Covenant whereby, as at the Initial Issue Date, the Borrowers under 97% of the Home Loans owned by the Issuer pay Instalments by way of payroll deduction by Eskom and its Group companies.

### **Guarantee and Indemnity Structure**

The Security SPV has executed the Security SPV Guarantee in favour of Secured Creditors and has entered into the Issuer Indemnity with the Issuer. The Issuer has received a legal opinion stating that the entering into of the Security SPV Guarantee and the Issuer Indemnity will enable the security structure in favour of the Secured Creditors to be enforced by the Security SPV in the manner set out in this Programme Memorandum. There is no guarantee that a court would reach the same conclusion as that in the legal opinion obtained by the Issuer.

If the Security SPV Guarantee and/or the Issuer Indemnity structure is not enforceable, then Secured Creditors shall be entitled to take action themselves to enforce claims directly against the Issuer should an Event of Default occur but, in such circumstances, the security held by the Security SPV will no longer be effective as a means of achieving distribution of the Issuer's assets in accordance with the Priority of Payments.

The Security SPV has not taken or obtained any independent legal or other advice or opinions in relation to the Issuer or any other persons or the Transaction Documents (including the Security Agreements) or any other document, or in relation to the transactions contemplated by any of the Transaction Documents or any other documents.

### **Insolvency of the Security SPV**

It is possible for the Security SPV itself to be wound-up, liquidated or placed under judicial management or supervision by a business rescue practitioner which could adversely affect the rights of the Secured Creditors. The liabilities of the Security SPV under the Security SPV Guarantee granted in favour of the Secured Creditors cannot in the aggregate exceed the net amount recovered by the Security SPV pursuant to the Issuer Indemnity.

Accordingly, it is improbable that the Security SPV itself will be insolvent (and therefore be wound-up, liquidated or placed under judicial management or supervision by a business rescue practitioner) unless there were to be, for example, dishonesty or fraudulent conduct or breach of contract on the part of the Security SPV, for instance by its directors or officers entering into unauthorised transactions on behalf of the Security SPV.

### **Security**

In relation to Mortgaged Home Loans, the claims of the Issuer against Borrowers are secured by first Mortgage Bonds registered over the Properties financed in terms of the Home Loan Agreements in favour of and in the name of the Issuer. The Security SPV concluded that the costs associated with registering security cessions in favour of the Security SPV in respect of the Mortgage Bonds at the respective Deeds Office are unwarranted, and, accordingly, no such security cessions have been registered.

The security structure in the form of the Guarantees from the Security SPV backed-up by the Indemnity from the Issuer provides Secured Creditors, through the Security SPV, with contractual recourse to the Issuer and its security from Borrowers but does not provide any direct security over the Properties secured by the Mortgage Bonds.

### **Liquidation of the Issuer**

The Issuer has been structured as an insolvency remote, ring-fenced special purpose vehicle, a structure which limits the risk that there may be third parties who are not bound by the Transaction Documents who may apply for the liquidation of the Issuer. Third party creditors of the Issuer that are not contractually bound by the Priority of Payments rank high in the Priority of Payments, including the tax authorities and administrative creditors. Secured Creditors contract with the Issuer on the basis that their claims against the Issuer will be subordinated in accordance with the Priority of Payments, will not bring an application for the liquidation of the Issuer until 2 years after the payment of all amounts outstanding and owing by the Issuer under the Notes and the other Transaction Documents and agree not to sue the Issuer except through the Security SPV. The proceeds in the hands of the Security SPV will be distributed in accordance with the Priority of Payments.

If, notwithstanding the ring-fenced structure, there is an external creditor not bound by the Priority of Payments, on the liquidation of the Issuer such external creditor would rank *pari passu* with or ahead of the Security SPV, depending on the statutory preference of claims in terms of the Insolvency Act, 1936, in regard to the assets of the Issuer other than assets of the Issuer properly secured by the Security Cession.

### **Change in Legislation**

The Home Loan Agreements are subject to legislation which may change at any time. No prediction can be made as to whether such legislation will change and, if it does, what the effect of such changes will be on the Home Loan Agreements or the Issuer.

### **Board of Directors of the Issuer**

The board of directors of the Issuer comprises 4 persons, only one of whom is nominated by EFC. The board of directors of the Issuer is accordingly independent of the Arranger and the Seller as contemplated in paragraph 4(2)(q) of the Securitisation Regulations.

### **No support from the Seller**

The Seller, acting in a primary role, is not obliged to support any losses suffered by the Issuer in respect of the purchase of Home Loans and Related Security or the Noteholders in respect of the Notes.

### **No support from the Servicer**

The Servicer is not under any obligation to fund payments owed in respect of the Notes, absorb losses in respect of the assets of the Issuer or otherwise recompense investors for losses incurred in respect of the Notes.

### **Suitability of Investment**

This Programme Memorandum identifies some of the information that a prospective investor should consider prior to making an investment in the Notes. This Programme Memorandum does not, however, purport to provide all of the information or the comprehensive analysis necessary to evaluate the economic and other consequences of investing in the Notes. A prospective investor should, therefore, conduct its own thorough analysis, including its own accounting, legal and tax analysis, prior to deciding to invest in the Notes. A prospective investor should make an investment in the Notes only after it has determined that such investment is suitable for its financial investment objectives. This Programme Memorandum is not, and does not purport to be, investment advice.

### **Collectability of Home Loans**

The collectability of amounts due under the Home Loans is subject to credit, liquidity and interest rate risks and will generally fluctuate in response to, among other things, market interest rates, general economic conditions, the financial standing of Borrowers, and other similar factors, all of which may lead to an increase in delinquencies and insolvency applications by Borrowers and could ultimately have an adverse impact on the ability of Borrowers to repay amounts owing in respect of Home Loans. The risk associated with the collectability of the Home Loans is mitigated by way of the payroll deductions performed by Eskom in respect of Home Loan payments by the Borrowers.



In addition, the ability of the Issuer to dispose of a foreclosed property at a price sufficient to repay the amounts outstanding under the relevant Home Loan will depend upon the availability of buyers for the Property at the time and general property market values.

### **Risks of Losses Associated with Declining Property Values**

The security for the obligations of the Issuer consists of mainly the Issuer's interest in the Home Loans. This security may be affected by, among other things, a decline in property values. No assurance can be given that values of the Properties have remained or will remain at the level at which they were on the dates of origination of the related Home Loans. If the residential property market in South Africa should experience an overall decline in property values, such a decline could in certain circumstances result in the value of the security created by the Home Loans being significantly reduced and, ultimately, may result in losses to the Noteholders if the security is required to be enforced.

### **Geographic Concentration**

Certain geographic regions will from time to time experience weaker regional economic conditions and housing markets than will other regions and, consequently, will experience higher rates of loss and delinquency on Home Loans generally. There are concentrations of Properties within certain regional areas which may present risk considerations different from those without such concentrations.

### **Yield and Prepayment Considerations**

The yield to maturity of the Notes will depend on, *inter alia*, the amount and timing of payment of principal (including Further Advances made, acquisitions of Additional Home Loans, and repurchases or substitutions of Home Loans by the Seller due to, *inter alia*, breaches of the warranties) on the Home Loans and the price paid by the Noteholders. Such yield may be adversely affected by higher or lower than anticipated rates of Repayments by Borrowers and the amount of Further Advances.

Repayments before the end of a Home Loan term may result from enforcement proceedings under the relevant Home Loans. In addition, repurchases of Home Loans required to be made under the Home Loan Sale Agreement will have the same effect as early repayment of such Home Loans.

The rates of Repayment and the amount of Further Advances cannot be predicted and are influenced by a wide variety of economic, social and other factors, including prevailing Home Loan market interest rates, the availability of alternative financing, local and regional economic conditions and homeowner mobility. Therefore, no assurance can be given as to the level of Repayments and Further Advances that the Home Loan Pool will experience.

Although it is anticipated that the Issuer will redeem all of the Notes in a Tranche in full, and not in part only, at the Scheduled Maturity Date, no guarantee is given in this regard.

### **Defaults under the Home Loans**

If a sufficient number of Borrowers default, the Issuer may be unable to pay the Secured Creditors (including the Noteholders) in full or at all.

To reduce the risk of default, the Servicer on behalf of the Seller or Issuer, as the case may be, has applied certain Credit Criteria in granting Home Loans and Further Advances. The purpose of the Credit Criteria includes limiting the Issuer's exposure to certain lower quality assets.

There is no assurance that the measures set out above will eliminate the relevant risks.

### **Insurance risks**

In relation to all Home Loans, Borrowers, or in the case of sectional title units, the relevant body corporates, are required to take out and maintain Homeowners' Policies. In relation to certain of the Home Loans, life insurance policies have been taken out by the Borrowers, in accordance with their respective Home Loan Agreements, with a Life Insurance Company. If those insurances are not obtained and maintained, are not available or if the insurer defaults, payment may not be received on damage to the Properties.

### **Co-mingling risk**

In terms of the Servicing Agreement, the Servicer will, amongst its various duties, collect payments in respect of the Home Loans and act as custodian of various documentation. On an insolvency of the Servicer, the Issuer, as principal, will be entitled to vindicate all property which it can identify among the assets of the Servicer, as agent, as being vested in it as owner.

In relation to cash deposits there is a co-mingling risk. The Servicing Agreement attempts to mitigate any co-mingling risk by providing for monies to be transferred from the Collections Accounts (in the name of the Servicer) to the Transaction Account (in the name of the Issuer) immediately upon receipt of such monies or as soon thereafter as is reasonably possible.

There are also risks on insolvency of the Servicer in respect of details of the Home Loans that are kept electronically on the Servicer's systems. The Servicing Agreement mitigates this risk by providing for the maintenance of back-up data and the storage of such data off-site by a disaster recovery agent.

### **Guaranteed Home Loans**

The claims of the Issuer against Borrowers are secured by Guarantee SPV Guarantees (which are in turn secured by Indemnities and Indemnity Bonds registered over the Properties financed in terms of the Home Loan Agreements in favour of the Guarantee SPV or its assigns).

Whilst the Guarantee SPV Guarantee, Indemnity and Indemnity Bond structure retain the security of a real right in the Properties, the Issuer does not have the real right directly: the real right is registered in the name of the Guarantee SPV and the Issuer's claim against the Guarantee SPV is thus contractual. The Issuer has received legal advice that provided care is taken to ensure that the Indemnity and Indemnity Bond are not separated at any time (in the sense that the holder of the Indemnity should always be the holder of the Indemnity Bond) the structure should create valid and enforceable obligations, and the holder of the Indemnity and the Indemnity Bond will, in the appropriate circumstances, be able to proceed against the mortgagor and, if necessary, repossess the Property to enforce its rights following a default under the Home Loan Agreement. No assurance can be given that a court would reach the same conclusion as that furnished in the legal advice to the Issuer.

### **Interest Margin Risk**

Structural mechanisms are in place to protect a minimum excess margin between the Weighted Average Home Loan Rate and the 12 month rolling daily average of 3 month JIBAR at all times.

The Issuer keeps an open position in terms of the receipt of income based on the Weighted Average Home Loan Rate and the payment of 3 month JIBAR based interest to Noteholders. The margin by which the Weighted Average Home Loan Rate exceeds JIBAR plus the Required Interest Margin might narrow from time to time and could impact the cash flows of the Issuer.

### **National Credit Act, 34 of 2005 ("NCA")**

Transactions which occur in respect of the Home Loan Agreements may fall within the provisions of the NCA and, prior to the effective date of such Act being 1 June 2007, may have fallen within the provisions of the Usury Act. Despite the repeal of the Usury Act, rights enjoyed and obligations imposed in terms of such previous Act are preserved, subject to certain transitional provisions of the NCA. In addition, certain provisions of the NCA apply to agreements concluded prior to the effective date of the NCA.

In terms of the NCA any person who acquires the rights of a credit provider under a credit agreement after it has been entered into, is required to comply with the provisions of the NCA. This would place an additional administrative and financial burden on the Issuer to ensure compliance therewith, including registering as a credit provider with the National Credit Regulator.

### **Transfer of the Rights to the Home Loans**

The transfer by the Seller to the Issuer of the Home Loans is governed by South African law.

The Issuer has agreed that notice of such transfer will not be given to Borrowers, except in limited circumstances. The lack of notice entails that, until notice is given to the Borrowers, each Borrower may discharge his obligations under the related Home Loan by making

payment to the Seller. Notice to Borrowers would mean that Borrowers should no longer make payment to the Seller as creditor in respect of the Home Loans but should instead make payment to the Issuer as creditor in respect of the Home Loans. If notice is given, and a Borrower ignores it and makes payment to the Seller for its own account, that Borrower may nevertheless still be bound to make payment to the Issuer.

The Seller has warranted or (as the case may be) will warrant that the sale by the Seller of each Home Loan to the Issuer will pass good and marketable title to such Home Loan to the Issuer free of any Encumbrances in favour of any person. If any warranty provided by the Seller in respect of any Home Loan sold by the Seller proves to have been incorrect when provided, the Issuer will be entitled to enforce the remedies set out in the Home Loan Sale Agreement for breach of warranty by the Seller.

#### **Further Sellers**

Subsequent to the Initial Issue Date, the Issuer may acquire home loans from further sellers, and such sellers shall accede to the Programme, subject to the prior written approval of the Security SPV and confirmation in writing from the Rating Agency, upon written request by the Issuer, that such acquisition and accession will not cause it to downgrade or withdraw its then current Ratings of the Notes. Such acquisition and accession may involve amendment to the existing Transaction Documents or the entry by the Issuer into additional agreements such as a separate home loan sale agreement and/or a servicing agreement. For the avoidance of doubt, the consent of existing Noteholders shall not be required in connection with such acquisition and accession, including in relation to any amendment to the existing Transaction Documents or the entry into by the Issuer of additional Transaction Documents.

#### **Restructuring of EFC**

In 2003, the South African cabinet took a decision to dispose of EFC as it is deemed to be non-core to Eskom's business (the generation, transmission and distribution of electricity). Eskom supported a disposal that will secure the future sustainability of EFC in order to be able to service Eskom employees on an ongoing basis. The prospective stakeholder must have, at minimum, a proven track record in the mortgage loan market, the ability to absorb the current EFC management and staff and a minimum of a 26% Black Economic Empowerment component to meet the requirements of the Financial Sector Charter. Eskom has undertaken to continue to perform the payroll deductions from the salaries of Borrowers in the event of an EFC Restructuring. As at the date of this Programme Memorandum, the EFC Restructuring has not yet occurred.

#### **Ratings Linkage**

Given the current concentration of Borrowers employed by a single employer (Eskom) or to the extent that there are concentrations of Borrowers employed by any other employer (which may or may not be Eskom) after the Initial Issue Date there is a linkage between the rating of the Notes and the rating of that employer. Should the Rating of such employer change, the Rating of the Notes may be impacted. One of the Portfolio Covenants may also be breached should the number of Borrowers in the portfolio employed by Eskom (see definition of Required Direct Employees Percentage) be less than the Required Direct Employees Percentage.

## **STRUCTURAL FEATURES**

### **1. Cash management**

Cash is managed in the manner set out below.

#### **1.1 Account Bank**

In the event that the Account Bank ceases to hold the Required Credit Rating and a suitable replacement with the Required Credit Rating is not appointed within 30 days of such downgrading being notified to the Issuer, the appointment of the Account Bank shall be terminated and a replacement Account Bank with the Required Credit Rating will be appointed in accordance with the provisions of the Bank Agreement.

#### **1.2 Transaction Account**

All amounts due to the Issuer (other than amounts referred to in 1.3 below) will be paid directly into a bank account in the name of the Issuer at the Account Bank, the Transaction Account. Prior to the delivery of an Enforcement Notice, the Manager and/or the Security SPV will have signing authority in respect of the Transaction Account. After the delivery of an Enforcement Notice, the Security SPV will have sole signing authority in respect of such bank account.

#### **1.3 Collections Accounts**

Instalments in respect of the Home Loans are paid directly into bank accounts in the name of the Servicer at a Reference Bank, the Collections Accounts. Payments in respect of the Home Loans which are paid into the Collections Accounts will be transferred to the Transaction Account on the date of receipt of such funds or if this is not reasonably possible, then as soon thereafter as is reasonably possible.

#### **1.4 Reserve Account**

If the Issuer is required to establish and maintain the Arrears Reserve, such monies will be paid directly into a bank account in the name of the Issuer at the Account Bank, the Reserve Account.

#### **1.5 Permitted Investments**

The Manager may, on behalf of the Issuer and on the instructions of the Servicer, invest cash from time to time standing to the credit of the Issuer's Bank Accounts in Permitted Investments.

#### **1.6 GIC Provider**

In the event that the GIC Provider ceases to hold the Required Credit Rating and a suitable replacement with the Required Credit Rating is not appointed within 30 days of such downgrading being notified to the Issuer, the appointment of the GIC Provider shall be terminated and a replacement GIC Provider with the Required Credit Rating will be appointed in accordance with the provisions of the Transaction Documents.

### **2. Liquidity Facility Agreement**

2.1 The Issuer has entered into a revolving loan facility with the Liquidity Facility Provider.

2.2 The Liquidity Facility may be utilised by the Issuer to meet Liquidity Shortfalls; subject to the terms of the Liquidity Facility Agreement. The Liquidity Facility may not be utilised to the extent that the Asset Quality Test is not satisfied.

2.3 The Liquidity Facility Limit is an amount equal to the greater of the Principal Amount of the Initial Notes issued on the Initial Issue Date and 2% of the Outstanding Principal Amount of the Notes in issue from time to time.

- 2.4 The commitment of the Liquidity Facility Provider under the Liquidity Facility will expire 364 days after the Initial Issue Date, or such earlier date that the Liquidity Facility Provider cancels the Liquidity Facility following an Event of Default in accordance with the provisions of the Liquidity Facility Agreement or illegality of the Liquidity Facility Agreement. If the Liquidity Facility Provider declines to renew the Liquidity Facility, the Issuer shall use its reasonable endeavours to arrange for another entity with the Required Credit Rating to provide a facility to the Issuer on terms and conditions which are agreed to in writing by the Security SPV.
- 2.5 If the rating of the Liquidity Facility Provider is downgraded below the Required Credit Rating, then the Liquidity Facility Provider shall notify the Issuer promptly upon becoming aware of the same and the Issuer shall have a period of 30 days from the date on which such downgrading was notified to the Issuer to use its reasonable endeavours to arrange for another entity with the Required Credit Rating, to guarantee its obligations under the Liquidity Facility Agreement or to provide a facility to the Issuer on terms and conditions which are agreed by the Security SPV.
- 2.6 The Issuer has the right to cancel the Liquidity Facility provided that the Security SPV furnishes its prior written consent to such cancellation.
- 2.7 In the event that the Principal Balances of the Home Loans that are not Deteriorated Assets or Defaulted Assets are no longer sufficient to repay the Outstandings under the Liquidity Facility, then with effect from the following Payment Date, the Liquidity Facility shall be cancelled and the Outstandings under the Liquidity Facility shall become immediately due and payable, subject to the Priority of Payments.
- 2.8 In the event that the Principal Balances of the Home Loans that are not Deteriorated Assets or Defaulted Assets fall to an amount lower than the Commitment of the Liquidity Facility Provider, then the Liquidity Facility Limit (and thus the Commitment) shall be reduced to an amount that does not exceed the Principal Balances from time to time of the Home Loans that are not Deteriorated Assets or Defaulted Assets, so that after such reduction there are a sufficient level of performing assets to cover any new or existing utilisation in terms of the Liquidity Facility.
- 2.9 Interest on amounts outstanding under the Liquidity Facility shall be payable in arrear on the relevant Due Date and commitment fees will be payable quarterly in arrear on each Quarterly Payment Date, to the extent permitted by, and in accordance with the Priority of Payments. Principal amounts outstanding under the Liquidity Facility will be repayable on the expiry of the Term of each Advance, to the extent permitted by, and in accordance with the Priority of Payments.
- 2.10 The obligations of the Liquidity Facility Provider do not significantly extend beyond the salient features of the Liquidity Facility as disclosed in this Programme Memorandum and the Liquidity Facility Provider will not support the Securitisation Scheme beyond such obligations.
- 2.11 The Liquidity Facility may not be used as a permanent revolving facility in order to provide credit enhancement or cover losses sustained in respect of the Securitisation Scheme.
- 2.12 The Issuer shall have no recourse against the Liquidity Facility Provider (in its capacity as such) beyond the fixed contractual obligations provided for in the Liquidity Facility Agreement.

### 3. **Redraws, Re-advances and Further Advances**

- 3.1 The Issuer may, in its discretion, advance Redraws, Re-advances and Further Advances to Borrowers on any day, and shall, when so obliged, advance Redraws, Re-advances and Further Advances to Borrowers on any day provided that:
- 3.1.1 Redraws, Re-advances and Further Advances that are subject to the discretion of the Issuer, may only be advanced during the Revolving Period, and Redraws, Re-advances and Further Advances that the Issuer is obliged to advance shall be advanced during both the Revolving Period and the Amortisation Period;
- 3.1.2 in the case of Redraws, Re-advances and/or Further Advances that are subject to the discretion of the Issuer, the Issuer has the necessary funds to make such Redraws, Re-advances and/or Further Advances (namely, the right to drawings under the Redraw Facility);

- 3.1.3 in the case of Redraws, Re-advances and/or Further Advances that are subject to the discretion of the Issuer, no Enforcement Notice has been given which remains in effect;
- 3.1.4 each Borrower to whom a Redraw, Re-advance or Further Advance is advanced is not in default under any of its obligations to the Issuer in terms of such Borrower's Home Loan Agreement;
- 3.1.5 in the case of Redraws, Re-advances and/or Further Advances that are subject to the discretion of the Issuer, no Portfolio Covenant has been breached;
- 3.1.6 all of the Credit Criteria required to be applied:
  - 3.1.6.1 in relation to the granting of the each Home Loan, were correctly applied at the time of origination of such Home Loan; and
  - 3.1.6.2 in relation to the advance of any Redraw, Re-advance or Further Advance, were correctly applied at the date of the approval by the Servicer of such Redraw, Re-advance or Further Advance;
- 3.1.7 each relevant Further Advance, together with the balance outstanding under the relevant Home Loan Agreement immediately prior to the making of such Further Advance, does not exceed the capital amount secured by the Mortgage Bond registered in favour of the Issuer (excluding any amount identified as an additional capital sum in the Mortgage Bonds in respect of costs and expenses);
- 3.1.8 each relevant Further Advance, together with the balance outstanding under the relevant Home Loan Agreement immediately prior to the making of such Further Advance, does not exceed the capital amount secured by the Indemnity Bond(s) registered in favour of Guarantee SPV (excluding any amount identified as an additional capital sum in the Indemnity Bonds in respect of costs and expenses);
- 3.1.9 Redraws, Re-advances and Further Advances will be funded utilising the Redraw Facility;
- 3.1.10 each Borrower concerned is obliged to repay the Redraw and Re-advance in full, together with all other amounts due under such Borrower's Home Loan Agreement, within a period extending no later than the original duration of such Home Loan;
- 3.1.11 each Borrower concerned is obliged to repay the Further Advance in full, together with all other amounts due under such Borrower's Home Loan Agreement, within a period extending no later than 2 years prior to the Final Maturity Date of the shortest dated Tranche of Notes in issue; and
- 3.1.12 the Redraws, Re-advances and/or Further Advances have the benefit of the same security as the balance outstanding under the relevant Home Loan immediately prior to the making of such Redraws, Re-advances and/or Further Advances.
- 3.2 If a Borrower requests a Redraw, Re-advance or a Further Advance which the Servicer, acting on behalf of the Issuer, does not approve on the basis that the Issuer does not have the funds to advance such Redraw, Re-advance or Further Advance or on the basis that the Redraw, Re-advance or Further Advance would cause any of the Portfolio Covenants to be breached, then EFC shall have the option to purchase (or to nominate a third party to purchase) the Home Loan of such Borrower from the Issuer for a purchase consideration equal to the Principal Balance of such Home Loan, together with Accrued Interest and other amounts charged to the relevant Borrower's account and not yet paid.

#### 4. **Redraw Facility Agreement**

- 4.1 The Issuer has entered into a revolving loan facility with the Redraw Facility Provider.
- 4.2 The Issuer has entered into a Redraw Facility Agreement with the Redraw Facility Provider.

- 4.3 The Redraw Facility may be used by the Issuer to fund Redraws, Re-advances and Further Advances, subject to the terms of the Redraw Facility Agreement, which include that the Borrower is not in default of any of its obligations to the Issuer in terms of such Borrower's Home Loan Agreement.
- 4.4 The Redraw Facility Limit, being the maximum aggregate amount that can be drawn at any time under the Redraw Facility, is an amount equal to or greater than half of the aggregate Potential Redraw Amount in respect of the portfolio of Home Loans owned by the Issuer from time to time. The Redraw Facility Provider may, in its sole discretion, and at the request of the Issuer, at any time increase or decrease the Redraw Facility Limit and the Commitment, as long as in the event of a reduction in such Redraw Facility Limit the Rating Agency is furnished with at least 5 Business Days prior written notice of the proposed reduction and does not notify the Issuer in writing that such reduction may cause it to downgrade or withdraw its respective current Rating(s) of the Notes.
- 4.5 The commitment of the Redraw Facility Provider under the Redraw Facility will expire 364 days after the Initial Issue Date, or such earlier date that the Redraw Facility Provider cancels the Redraw Facility following an Event of Default in accordance with the provisions of the Redraw Facility Agreement or illegality of the Redraw Facility Agreement. If the Issuer is unable to renew the Redraw Facility Agreement prior to its expiry and a suitable replacement with the Required Credit Rating is not appointed at least 30 days prior to the expiry of the then current Commitment Period, the Available Facility shall be fully drawn down by the Issuer (and may be subsequently fully re-drawn) until a substitute Redraw Facility Provider with the Required Credit Rating has been appointed. The unutilised cash so drawn down shall be invested in Permitted Investments and may only be used for the purposes for which the Redraw Facility could have been used.
- 4.6 If the rating of the Redraw Facility Provider is downgraded below the Required Credit Rating and a suitable replacement with the Required Credit Rating is not appointed within 30 days of such downgrading being notified to the Issuer, the Available Facility shall be fully drawn down by the Issuer (and may be subsequently fully re-drawn) until a substitute Redraw Facility Provider or guarantor with the Required Credit Rating has been appointed. The unutilised cash so drawn down shall be invested in Permitted Investments and may only be used for the purposes for which the Redraw Facility could have been used.
- 4.7 The Issuer has the right to cancel the Redraw Facility on giving the Redraw Facility Provider at least 5 Business Days prior written notice, to cancel all or part of the undrawn Redraw Facility, provided that each of the Rating Agency and the Security SPV is furnished with at least 5 Business Days prior written notice of the proposed cancellation and the Security SPV furnishes its prior written consent to such cancellation.
- 4.8 In the event that the Principal Balances of the Home Loans that are not Deteriorated Assets or Defaulted Assets are no longer sufficient to repay the Outstandings under the Redraw Facility, then with effect from the following Payment Date, the Redraw Facility shall be cancelled and the Outstandings under the Redraw Facility shall become immediately due and payable, subject to the Priority of Payments.
- 4.9 In the event that the Principal Balances of the Home Loans that are not Deteriorated Assets or Defaulted Assets fall to an amount lower than the Commitment of the Redraw Facility Provider, then the Redraw Facility Limit (and thus the Commitment) shall be reduced to an amount that does not exceed the Principal Balances from time to time of the Home Loans that are not Deteriorated Assets or Defaulted Assets, so that after such reduction there are a sufficient level of performing assets to cover any new or existing utilisation in terms of the Redraw Facility.
- 4.10 Interest on amounts outstanding under the Redraw Facility shall be payable in arrear on the relevant Due Date and commitment fees will be payable quarterly in arrear on each Quarterly Payment Date, to the extent permitted by, and in accordance with the Priority of Payments. Principal amounts outstanding under the Redraw Facility will be repayable on the expiry of the Term of each Advance, to the extent permitted by, and in accordance with the Priority of Payments.
- 4.11 The obligations of the Redraw Facility Provider do not significantly extend beyond the salient features of the Redraw Facility as disclosed in this Programme Memorandum and the Redraw Facility Provider will not support the Securitisation Scheme beyond such obligations.

- 4.12 The Redraw Facility may not be used as a permanent revolving facility in order to provide credit enhancement or cover losses sustained in respect of the Securitisation Scheme.
- 4.13 The Issuer shall have no recourse against the Redraw Facility Provider (in its capacity as such) beyond the fixed contractual obligations provided for in the Redraw Facility Agreement.
5. **Arrears Reserve**
- 5.1 On any Determination Date, should the aggregate Arrears on the Home Loans exceed certain levels and trigger an Arrears Reserve Trigger Event, the Issuer will be required to pay an amount into the Arrears Reserve, in terms of the Priority of Payments, up to the Arrears Reserve Required Amount. Any amounts by which the balance on the Arrears Reserve exceeds the Arrears Reserve Required Amount will be paid into the Transaction Account.
- 5.2 If the Arrears Reserve is not funded at the Arrears Reserve Required Amount on 6 consecutive Payment Dates, this constitutes an Early Amortisation Event.
- 5.3 The Arrears Reserve will be available to meet interest and principal payments on the Notes (other than the Class E Notes), on any Payment Date, in the event of a shortfall in available funds for that purpose in terms of the Priority of Payments.
- 5.4 On the earlier of (i) the Final Maturity Date of the last Tranche of Notes in issue, (ii) the date on which no amount remaining outstanding in respect of the Home Loans, and (iii) the date on which all amounts outstanding in respect of the Home Loans having been reduced to zero, the amounts standing to the credit of the Arrears Reserve will be paid into the general funds in the Transaction Account for application in accordance with the Pre-Enforcement Priority of Payments and the Arrears Reserve Required Amount shall be zero.
- 5.5 In the event of the occurrence of an Early Amortisation Event, all monies in the Arrears Reserve will be applied in accordance with the Pre-Enforcement Priority of Payments applicable during the Amortisation Period.
- 5.6 In the event of the delivery of an Enforcement Notice, all monies in the Arrears Reserve will be applied in accordance with the Post-Enforcement Priority of Payments.
6. **Derivative Contracts**
- 6.1 The Manager may, in its discretion but subject to Rating Affirmation, procure that the Issuer enters into a Derivative Contract/s with Derivative Counterparty/ies with the Required Credit Rating in order to manage the Issuer's interest rate risks. There is no obligation on the Issuer to conclude (or on the Manager to procure that the Issuer concludes) such Derivative Contracts, either on any Issue Date of a Tranche of Notes or at any time thereafter.
- 6.2 The interest rate risks of the Issuer may also be managed by the Servicer, acting as agent on behalf of the Issuer, increasing the Home Loan Rate or, subject to Rating Affirmation, such other mechanism that the Manager deems appropriate in the circumstances.
7. **Subordinated Loans and/or Subordinated Notes**
- 7.1 On the Initial Issue Date, the Issuer entered into a Subordinated Loan Agreement with the Subordinated Lender. As may be needed on any subsequent Issue Date, the Issuer will enter into a Subordinated Loan Agreement with the Subordinated Lender and/or issue Subordinated Notes. The Subordinated Loans and/or Subordinated Notes serve as credit enhancement in relation to higher ranking notes. The Subordinated Loans and/or Subordinated Notes may be utilised by the Issuer to fund a portion of the Purchase Price of the Home Loans or to redeem outstanding Notes and repay Subordinated Loans. The aggregate principal amount of each Subordinated Loan to be borrowed by the Issuer and/or Subordinated Notes to be issued by the Issuer, will be specified in the Applicable Pricing Supplement, each amount to be in accordance with the determination of the Issuer and the Rating Agency with respect to the issue by the Issuer of any Tranche of Notes under the Programme. The aggregate principal amount of all Subordinated Loans



advanced to the Issuer from time to time in terms of the Subordinated Loan Agreements, may not exceed 18% of the Outstanding Principal Amount of the Notes (including Subordinated Notes) in issue from time to time.

7.2 Subject to signature of a Subordinated Loan Agreement by the Issuer and the Subordinated Lender, the Subordinated Loan in relation to a Tranche of Notes, shall be advanced by the Subordinated Lender to the Issuer on the Issue Date of that Tranche of Notes, by way of electronic funds transfer to the Transaction Account.

7.3 Interest on the Subordinated Loans and/or Subordinated Notes or such balance as shall remain outstanding from time to time, will be payable on Payment Dates in accordance with the Priority of Payments. Capital amounts outstanding of the Subordinated Loans and/or Subordinated Notes will be repayable as and when cash is available to make such repayment, to the extent permitted by, and in accordance with, the Priority of Payments.

7.4 During the Revolving Period, the Subordinated Notes and the Subordinated Loan shall not be repaid.

8. **Pre-Funding Amount**

The net proceeds of Notes issued on any Issue Date together with the monies advanced under the Subordinated Loan Agreement on such Issue Date may exceed the amount paid by the Issuer to the Seller in respect of the purchase consideration for Home Loans on such Issue Date. The Issuer may acquire Additional Home Loans up to an amount equal to such Pre-Funding Amount, at any time up to the expiry of the Pre-Funding Period in respect of such Pre-Funding Amount. Any part of the Pre-Funding Amount not applied acquiring Additional Home Loans during the Pre-Funding Period shall be applied in redeeming the Notes in terms of the Priority of Payments (and not for any other items in terms of the Priority of Payments).

## FORM OF THE NOTES

Each Tranche of Notes will be listed on the Interest Rate Market of the JSE or on such other or further exchange(s) as may be determined by the Issuer and the Dealer(s) and subject to any Applicable Laws.

Each Tranche of Notes will be issued in the form of registered Notes in accordance with the Terms and Conditions and may be represented by (i) an Individual Certificate or (ii) no Certificate, if issued in uncertificated form in terms of section 33 of the Financial Markets Act.

Each Tranche of Notes which is listed on the Interest Rate Market of the JSE must be fully paid up and freely transferable.

### Notes issued in uncertificated form

A Tranche of Notes which is listed on the Interest Rate Market of the JSE will, subject to Applicable Laws, be issued in uncertificated form in terms of s33 of the Financial Markets Act.

Notes issued in uncertificated form will not be represented by any certificate or written instrument.

A Tranche of Notes issued in uncertificated form will be issued in its entirety in the Central Securities Depository and the Register will initially indicate that the entire Tranche of such Notes is held in uncertificated form in the Central Securities Depository.

In terms of section 50 of the Companies Act, read with the Financial Markets Act and the rules of the Central Securities Depository, the Issuer will (i) record in the Register, the total number, and where applicable, the nominal value of the Notes issued by it in uncertificated form, and (ii) the Central Securities Depository Participants will administer and maintain the company's Uncertificated Securities Register, which will form part of the Register.

All transactions in uncertificated securities as contemplated in the Financial Markets Act will be cleared and settled in accordance with the Applicable Procedures. All the provisions relating to Beneficial Interests in the Notes held in the Central Securities Depository will apply to Notes issued in uncertificated form.

### Beneficial Interests

The Central Securities Depository will hold each Tranche of Notes issued in uncertificated form, subject to the Financial Markets Act and the Applicable Procedures. Accordingly, and except where the contrary is provided in the Terms and Conditions, all amounts to be paid and all rights to be exercised in respect of the Notes held in the Central Securities Depository may be exercised only in accordance with the Applicable Procedures by the Central Securities Depository for the holders of Beneficial Interests in such Notes.

The Central Securities Depository maintains central securities accounts only for Participants (which accounts may be in the name of such Participants or such Participants' clients). As at the date of this Programme Memorandum, the Participants are FirstRand Bank Limited (RMB Custody and Trustee Services), Nedbank Limited, The Standard Bank of South Africa Limited, Citibank N.A - Johannesburg branch, Standard Chartered Bank - Johannesburg Branch, Société Générale - Johannesburg branch and the South African Reserve Bank.

The Participants are in turn required to maintain securities accounts for their clients. The clients of Participants may include the holders of Beneficial Interests in the Notes or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the Central Securities Depository only through their Participants.

In relation to each person shown in the records of the Central Securities Depository or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Principal Amount of Notes, a certificate or other document issued by the Central Depository or the relevant Participant, as the case may be, as to the Principal Amount of such Notes standing to the account of such person shall be *prima facie* proof of such Beneficial Interest.

Transfers of Beneficial Interests in the Central Securities Depository to and from clients of the Participants occur by electronic book entry in the central securities accounts of the clients of the Participants. Transfers among Participants of Notes held in the Central Securities Depository system occur through electronic book entry in the Participants' central security accounts with the Central Securities Depository. Beneficial Interests may be transferred only in accordance with the Terms and Conditions and the Applicable Procedures.

The Issuer shall regard the Register as the conclusive record of title to the Notes.

#### **Individual Certificates**

The Notes represented by Individual Certificates will be registered in the name of the individual Noteholders in the Register. Notes represented by Individual Certificates may be transferred only in accordance with the Terms and Conditions

Payments of interest and principal in respect of Notes represented by Individual Certificates will be made in accordance with Condition 8 to the person reflected as the registered holder of such Individual Certificates in the Register at 17h00 (Johannesburg time) on the Last Day to Register, and the Issuer will be discharged by proper payment to or to the order of the registered holder of the Certificate in respect of each amount so paid.

**PRO FORMA PRICING SUPPLEMENT**

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

**Nqaba Finance 1 (RF) Limited**

*(Incorporated with limited liability in South Africa under registration number 2005/040050/06)*

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

**Under its R5 000 000 000 Asset Backed Note Programme, registered with the JSE Limited on or about 13 May 2006**

This document constitutes the Pricing Supplement relating to the issue of Notes described in this Pricing Supplement.

This Pricing Supplement must be read in conjunction with the Programme Memorandum issued by Nqaba Finance 1 (RF) Limited dated 06 July 2020, as amended from time to time. 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.

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

*The Issuer certifies that to the best of its knowledge and belief there are no facts that have been omitted from this Pricing Supplement which would make any statement false or misleading and that all reasonable enquires to ascertain such facts have been made and that this Pricing Supplement contains all information required by Applicable Law and the JSE Debt Listings Requirements. The Issuer accepts full responsibility for the accuracy of the information contained in this Pricing Supplement, except as may be otherwise stated herein.*

*The JSE takes no responsibility for the contents of this Pricing Supplement and/or any amendments or supplements to this Pricing Supplement. The JSE makes no representation as to the accuracy or completeness of this Pricing Supplement and/or any amendments or supplements to this Pricing Supplement and expressly disclaims any liability for any loss arising from or in reliance upon the whole or any part of the aforementioned documents.. The JSE's approval of the registration of the Programme Memorandum and the listing of debt securities is not to be taken in any way as an indication of the merits of the issuer or of the debt securities and that, to the extent permitted by law, the JSE will not be liable for any claim whatsoever.*

**DESCRIPTION OF THE NOTES**

1.	Issuer	Nqaba Finance 1 (RF) Limited
2.	Status and Class of the Notes	Secured Class [ • ] Notes
3.	Tranche number	[     ]
4.	Series number	[     ]
5.	Aggregate Principal Amount of this Tranche	[     ]
6.	Issue Date(s)	[     ]
7.	Minimum Denomination per Note	R1 000 000
8.	Issue Price(s)	[     ]
9.	Applicable Business Day Convention	[     ]
10.	Interest Commencement Date(s)	[     ]
11.	Scheduled Maturity Date	[     ]
12.	Final Maturity Date	[     ]

13. Final Redemption Amount [As per Condition 7]
14. Use of Proceeds The net proceeds of the issue of this Tranche, together with [the net proceeds from the issue of the [Class [•] Notes] [and] the borrowing of the Subordinated Loan referred to in this Pricing Supplement, will be used to [purchase Eligible Home Loans]/[redeem [*describe Tranche/s of Notes to be redeemed*] with an aggregate Outstanding Principal Amount of R[•], having a Scheduled Maturity Date of [•] and to repay the Subordinated Loan(s) in the principal sum of R[•] on that Scheduled Maturity Date].
15. Pre-Funding Amount R[•]
16. Pre-Funding Period [ ]
17. Specified Currency Rand
18. Prepayment Notes [Yes/No]
19. Set out the relevant description of any additional Terms and Conditions relating to the Notes [ ]

#### FIXED RATE NOTES

20. Fixed Interest Rate [ ]% per annum nacq/nacm/nacs/naca
21. Interest Payment Date(s) [insert specific interest payment dates of each calendar year] or, if such day is not a Business Day, the Business Day on which the interest will be paid, as determined in accordance with the applicable Business Day Convention (as specified in this Applicable Pricing Supplement)
22. Interest Period(s) each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date; provided that the first Interest Period will commence on (and include) the Interest Commencement Date and end on (but exclude) [the following Interest Payment Date / state specific Interest Payment Date] (each Interest Payment Date as adjusted in accordance with the applicable Business Day Convention)
23. Initial Broken Amount [ ]
24. Final Broken Amount [ ]
25. Coupon Step-Up Rate [ ]
26. Any other items relating to the particular method of calculating interest [ ]

#### FLOATING RATE NOTES

27. Interest Payment Date(s) [insert specific interest payment dates of each calendar year] or, if such day is not a Business Day, the Business Day on which the interest will be paid, as determined in accordance with the applicable Business Day Convention

(as specified in this Applicable Pricing Supplement)

28. Interest Period(s) each period commencing on (and including) an Interest Payment Date and ending on (but excluding) the following Interest Payment Date; provided that the first Interest Period will commence on (and include) the interest commencement date and end on (but exclude) [the following Interest Payment Date / state specific Interest Payment Date] (each Interest Payment Date as adjusted in accordance with the applicable Business Day Convention)
29. Manner in which the Interest Rate is to be determined [ISDA Determination/Screen Rate Determination/other (insert details)]
30. Margin/Spread for the Interest Rate [(+/-) ( )% per annum to be added to/subtracted from the relevant (ISDA Rate/Reference Rate)]
31. If ISDA Determination
- (a) Floating Rate Option [ ]
- (b) Designated Maturity [ ]
- (c) Reset Date(s) [ ]
32. If Screen Determination
- (a) Reference Rate (including relevant period by reference to which the Interest Rate is to be calculated) [e.g. JIBAR]
- (b) Rate Determination Date(s) [ ]
- (c) Relevant Screen page and Reference Code [ ]
33. If Interest Rate to be calculated otherwise than by reference to the previous 2 sub-clauses above, insert basis for determining Interest Rate/Margin/Fall back provisions [ ]
34. If different from the Manager, agent responsible for calculating amount of principal and interest [ ]
35. Any other terms relating to the particular method of calculating interest [ ]

**OTHER NOTES**

36. If the Notes are not Fixed Rate Notes or Floating Rate Notes, or if the Notes are a combination of the above and some other Note, set out the relevant description (including, if applicable, the identity of the reference entity in the case of a credit linked Note) and any additional Terms and Conditions relating to such Notes [ ]

**GENERAL**

37. Additional selling restrictions [ ]
38. International Securities Identification Number (ISIN) [ ]
39. Stock Code [ ]

40.	Financial Exchange	[    ]
41.	Dealer(s)	[    ]
42.	Method of distribution	[    ]
43.	Rating assigned to this Tranche of Notes (if any)	[    ]
44.	Rating Agency	[    ]
45.	Amortisation	[As per condition 7]
46.	Governing Law	South Africa
47.	Last Day to Register	close of business on the Business Day immediately preceding the first day of a Books Closed Period
48.	Books Closed Period	[    ]
49.	Calculation Agent, if not the Manager	[    ]
50.	Specified Office of the Calculation Agent	[    ]
51.	Transfer Agent, if not the Manager	[    ]
52.	Specified Office of the Transfer Agent	[    ]
53.	Paying Agent, if not the Manager	[    ]
54.	Specified Office of the Paying Agent	[    ]
55.	Settlement Agent, if not the Manager	[    ]
56.	Specified Office of the Settlement Agent	[    ]
57.	Programme Limit	R[ • ]
58.	Aggregate Outstanding Principal Amount of Notes in issue on the Issue Date of this Tranche	R[ • ], excluding this Tranche of Notes and any other Tranche(s) of Notes to be issued on the Issue Date
59.	Amount of Subordinated Loan to be borrowed simultaneously with this Tranche	R[ • ]
60.	Aggregate Principal Amount of [Class A Notes/Class B Notes/Class [ • ] Notes] to be issued simultaneously with this Tranche	R[ • ]
61.	Required Direct Employees Percentage	[ • ]
62.	Required Interest Margin	[ • ]
63.	Required Maximum Average Outstanding Balance	[ • ]
64.	Required Weighted Average Current LTV Ratio	[ • ]
65.	Required Weighted Average PTI Ratio	[ • ]
66.	Required Weighted Average Original LTV Ratio	[ • ]
67.	Required Maximum Second Property Percentage	[ • ]
68.	Required Minimum Payroll Deduction Percentage	[ • ]
69.	The nature of and title to the assets	[See section headed "The Home Loans" in the Programme Memorandum / Appendix 1 - Historical Pool Data]
70.	The criteria for the selection of the assets	[See section headed "The Home Loans" in the Programme Memorandum / Appendix 1 - Historical Pool Data]

- 71. Number of and value of assets in the pool [See Appendix 1 - Historical Pool Data]
- 72. Seasoning of the assets [See Appendix 1 - Historical Pool Data]
- 73. Interest of the originator in the securities [●]

Appendix 1 - Historical Pool Data

Application is hereby made to list this Tranche of the Notes, as from [ • ], pursuant to the Nqaba Finance 1 (RF) Limited Asset Backed Note Programme.

As at the date of this Pricing Supplement, the Issuer confirms that the Programme Limit of ZAR5,000,000,000 has not been exceeded and the issuing of these Notes under the Programme Memorandum will not cause the Programme Limit to be exceeded.

Nqaba Finance 1 (RF) Limited (Issuer)

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Director, duly authorised

Director, duly authorised

Date: \_\_\_\_\_

Date: \_\_\_\_\_



## TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes, which are incorporated by reference into each Certificate evidencing any Notes. Before the Issuer issues any Tranche of Notes, the Issuer shall complete and sign an Applicable Pricing Supplement.

### 1. Interpretation

The section of the Programme Memorandum headed "*Glossary of Definitions*" is incorporated by reference into the Terms and Conditions. In the Terms and Conditions, unless inconsistent with the context, capitalised terms will bear the meanings ascribed to such terms in the section of the Programme Memorandum headed "*Glossary of Definitions*", except to the extent that any such capitalised term is separately defined in the Programme Memorandum (including the Terms and Conditions) or in the Applicable Pricing Supplement.

### 2. Issue

2.1 Notes may be issued by the Issuer in Tranches pursuant to the Programme, without requiring the consent of Noteholders, provided that:

2.1.1 the conditions precedent in the Programme Agreement have been fulfilled;

2.1.2 if the Rating Agency has assigned a Rating to any Tranche of Notes, such Rating Agency, upon written request by the Issuer, confirms in writing the respective current Ratings of such Tranches of Notes in issue; and

2.1.3 the Final Maturity Date of a Tranche of Notes is at least 32 years later than the Scheduled Maturity Date for that Tranche of Notes.

2.2 A Tranche of Notes may, together with a further Tranche or Tranches, form a Series of Notes issued under the Programme. A Series of Notes may, together with a further Series of Notes or more than one Series of Notes, form a Class of Notes issued under the Programme.

2.3 The Noteholders are, by virtue of their subscription for or purchase of the Notes, deemed to have notice of, and are entitled to the benefit of, and are subject to, all the provisions of the Transaction Documents.

2.4 The Applicable Pricing Supplement for each Tranche of Notes is incorporated in these Terms and Conditions for the purposes of those Notes and supplements these Terms and Conditions. The Applicable Pricing Supplement may specify other terms and conditions (which may replace, modify or supplement these Terms and Conditions), in which event such other terms and conditions shall, to the extent so specified in the Applicable Pricing Supplement or to the extent inconsistent with these Terms and Conditions, replace, modify or supplement these Terms and Conditions for the purpose of that Tranche of Notes.

2.5 Notwithstanding the Priority of Payments, the proceeds of the issue of any Tranche of Notes and/or any Subordinated Loan borrowed under the terms of the Subordinated Loan Agreement will, except as otherwise expressly permitted in the Applicable Pricing Supplement, only be used to:

2.5.1 purchase Eligible Home Loans in accordance with the provisions of the Home Loan Sale Agreement during the Revolving Period; or

2.5.2 redeem the Notes in a Tranche of Notes on the Scheduled Maturity Date of that Tranche of Notes, and the Notes in all other Tranches of Notes having that Scheduled Maturity Date (the "**Refinanced Notes**") and any Subordinated Loan associated with the Refinanced Notes, in reducing order of rank (and *pari passu* if of equal rank) as determined by the respective Classes of such Notes,

as the case may be, and no other creditor of the Issuer will have any claim to such proceeds; provided that, during the Revolving Period, no repayment of the Subordinated Loan will take place.

- 2.6 The proceeds of the issue of any Tranche of Notes and/or the relevant Subordinated Loan borrowed pursuant to Condition 2.4 may, pending application for its permitted purpose, only be invested in Permitted Investments, being Permitted Investments having maturity date(s) on or prior to the Scheduled Maturity Date of the Refinanced Notes or the date for payment of the purchase consideration for the Eligible Home Loans, as the case may be.

### 3. Form and Denomination

- 3.1 Notes will be issued in registered form with a minimum denomination of R1 000 000 each and otherwise in such denominations as may be determined by the Issuer and as specified in the Applicable Pricing Supplement.
- 3.2 Payments (whether in respect of interest or principal) on Notes may be determined by reference to such fixed or floating rates or such indices or formulae as may be specified in the Applicable Pricing Supplement. Notes may be:
- 3.2.1 interest bearing or non-interest bearing;
- 3.2.2 issued at par, a premium or a discount;
- 3.2.3 issued in fully paid up form;
- 3.2.4 exchangeable for other assets; or
- 3.2.5 issued with such other characteristics as may be specified in the Applicable Pricing Supplement.
- 3.3 The Notes in a Tranche of Notes will be issued in the form of the registered Notes, represented by (i) Individual Certificates registered in the name, and for the account of, the relevant Noteholder or (ii) no Certificate, and held in uncertificated form in the Central Securities Depository in terms of section 33 of the Financial Markets Act.. The Central Securities Depository will hold the Notes subject to the Financial Markets Act and the Applicable Procedures.

### 4. Title

- 4.1 Title to the Notes will pass upon registration of transfer in the Register in accordance with Condition 15. The Issuer and the Transfer Agent shall recognise a Noteholder as the sole and absolute owner of the Notes registered in that Noteholder's name in the Register (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust, express, implied or constructive, to which any Note may be subject.
- 4.2 Beneficial Interests in Notes held in uncertificated form may, in terms of existing law and practice, be transferred through the Central Securities Depository by way of book entry in the central securities accounts of the Participants.
- 4.3 Any reference in this Programme Memorandum to the relevant Participant shall, in respect of Beneficial Interests, be a reference to the Participant appointed to act as such by a holder of such Beneficial Interest.

### 5. Status of Notes

- 5.1 The Notes constitute direct, limited recourse, secured obligations of the Issuer.
- 5.2 The claims of the Noteholders (whether in respect of principal, interest or otherwise) shall be subordinated to the claims of higher ranking creditors in accordance with the Priority of Payments.
- 5.3 Notwithstanding the subordinations envisaged in this Condition, the Noteholders shall be entitled to be paid any amounts due and payable to them in accordance with the Priority of Payments, on any Payment Date, provided that all amounts required to be paid or provided for in terms of the Priority of Payments in priority thereto, have been paid, provided for or discharged in full.
- 5.4 The Notes of each Class rank *pari passu* among themselves.

## 6. Interest

### 6.1 Interest on Fixed Rate Notes

#### 6.1.1 Fixed Interest Rate

Each Fixed Rate Note will bear interest on the aggregate Outstanding Principal Amount, at the rates per annum equal to the Interest Rate, from and including the Interest Commencement Date to but excluding the earlier of the Final Maturity Date (or the Actual Redemption Date, if the Actual Redemption Date falls before or after the Final Maturity Date) and the Coupon Step-Up Date, if any. If the Coupon Step-Up Date occurs, each Fixed Rate Note will bear interest on the aggregate Outstanding Principal Amount, at the rates per annum equal to the Coupon Step-Up Rate, from and including the Coupon Step-Up Date to but excluding the Final Maturity Date (or the Actual Redemption Date, if the Actual Redemption Date falls before or after the Final Maturity Date).

#### 6.1.2 Interest Payment Dates

The interest due in respect of each Interest Period will be payable in arrear on the Interest Payment Date in respect of such Interest Period. The first payment of interest will be made on the Interest Payment Date following the Interest Commencement Date. If any Interest Payment Date falls upon a day which is not a Business Day, the provisions of Condition 8.3 shall determine the date of payment of interest due upon such Interest Payment Date.

#### 6.1.3 Calculation of Interest Amount

The Calculation Agent will, on each Rate Determination Date, determine the Interest Rate applicable to a Tranche of Fixed Rate Notes for the Interest Period commencing on that Rate Determination Date and calculate the Interest Amount payable in respect of each Fixed Rate Note in that Tranche for that Interest Period. Unless stated otherwise in the Applicable Pricing Supplement, the Interest Amount will be determined by multiplying the Interest Rate by the Outstanding Principal Amount of such Fixed Rate Note and then multiplying such product by the actual number of days elapsed in such Interest Period, divided by 365. The resultant sum will be rounded to the nearest cent, half a cent being rounded upwards.

### 6.2 Interest on Floating Rate Notes

#### 6.2.1 Interest Rate

Each Floating Rate Note will bear interest on the aggregate Outstanding Principal Amount, at the rates per annum equal to the Interest Rate, from and including the Interest Commencement Date to but excluding the earlier of the Final Maturity Date (or the Actual Redemption Date, if the Actual Redemption Date falls before or after the Final Maturity Date) and the Coupon Step-Up Date, if any. If the Coupon Step-Up Date occurs, each Floating Rate Note will bear interest on the aggregate Outstanding Principal Amount, at the rates per annum equal to the Coupon Step-Up Rate, from and including the Coupon Step-Up Date to but excluding the Final Maturity Date (or the Actual Redemption Date, if the Actual Redemption Date falls before or after the Final Maturity Date).

#### 6.2.2 Interest Payment Dates

The interest due in respect of each Interest Period will be payable in arrear on the Interest Payment Date in respect of such Interest Period. The first payment of interest will be made on the Interest Payment Date following the Interest Commencement Date. If any Interest Payment Date falls upon a day which is not a Business Day, the provisions of Condition 8.3 shall determine the date of payment of interest due upon such Interest Payment Date. Interest in respect of any Interest Period shall accrue to and be paid on the relevant Interest Payment Date.

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

The Calculation Agent will, on each Rate Determination Date, determine the Interest Rate applicable to a Tranche of Floating Rate Notes for the Interest Period commencing on that Rate Determination Date and calculate the Interest Amount payable in respect of each Floating Rate Note in that Tranche for that Interest Period. Unless stated otherwise in the Applicable Pricing Supplement, the Interest Amount will be determined by multiplying the Interest Rate by the Outstanding Principal Amount of such Floating Rate Note and then multiplying such product by the actual number of days elapsed in such Interest Period, divided by 365. The resultant sum will be rounded to the nearest cent, half a cent being rounded upwards.

### 6.2.4 **Basis of Interest Rate**

6.2.4.1 The Interest Rate will be determined:

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

all as indicated in the Applicable Pricing Supplement.

### 6.2.5 **ISDA Determination**

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

For the purposes of this Condition 6.2.4.2:

"**ISDA Rate**" for an Interest Period means a rate equal to the Floating Rate that would be determined by such agent as is specified in the Applicable Pricing Supplement under a notional interest rate swap transaction if that agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

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

"**Floating Rate**", "**Floating Rate Option**", "**Designated Maturity**" and "**Reset Date**" have the meanings given to those expressions in the ISDA Definitions. Other expressions used in this Condition 6.2.4.2 or in the Applicable Pricing Supplement (where ISDA determination is specified) not expressly defined shall bear the meaning given to those expressions in the ISDA Definitions.

When this Condition 6.2.4.2 applies, in respect of each Interest Period such agent as is specified in the Applicable Pricing Supplement will be deemed to have discharged its obligations under Condition 6.2.3 in respect of the determination of the Interest Rate if it has determined the Interest Rate in respect of such Interest Period in the manner provided in this Condition 6.2.4.2.

**Screen Rate Determination**

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

- (a) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (b) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0,000005 being rounded upwards) of the offered quotations,

for the Reference Rate(s) which appears or appear, as the case may be, on the Relevant Screen Page as at 12h00 (South African time) on the Rate Determination Date in question, plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by such agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (a) above in this Condition 6.2.4.3, no such offered quotation appears or, in the case of paragraph (b) above in this Condition 6.2.4.3, fewer than three such offered quotations appear, in each case at the time specified in the preceding paragraph, the Calculation Agent shall request the principal Johannesburg office of each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 12h00 (South African time) on the Rate Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Interest Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0,000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If the Interest Rate cannot be determined by applying the provisions of the preceding paragraphs of this Condition 6.2.4.3, the Interest Rate for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0,000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks offered, at approximately 12h00 (South African time) on the relevant Rate Determination Date, in respect of deposits in an amount approximately equal to the Principal Amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, to Reference Banks in the Johannesburg inter-bank market plus or minus (as appropriate) the Margin (if any). If fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the Interest Rate for the relevant Interest Period will be determined by the Calculation Agent as the arithmetic mean (rounded as provided above) of the rates for deposits in an amount approximately equal to the Principal Amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, quoted at approximately 12h00 South African time on the relevant Rate Determination Date, by four leading banks in Johannesburg (selected by the Calculation Agent and approved by the Issuer) plus or minus (as appropriate) the Margin (if any). If the Interest Rate cannot be determined in accordance with the foregoing provisions of this paragraph, the Interest Rate shall be determined as at the last preceding Rate Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that preceding Interest Period).

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

"Reference Banks" means for the purposes of this Condition 6.2.4.3 four leading banks in the South African inter-bank market selected by the Calculation Agent and approved by the Issuer (where the Issuer does not act as the Calculation Agent).

### 6.3 Interest on Mixed Rate Notes

6.3.1 Each Mixed Rate Note will bear interest at the Interest Rate or Coupon Step-Up Rate, if any, applicable to the relevant form of interest-bearing Note (be it a Fixed Rate Note, Floating Rate Note or Indexed Note) for such Interest Period(s), as is/are specified for this purpose in the Applicable Pricing Supplement, from and including the Issue Date to but excluding the Final Maturity Date (or the Actual Redemption Date, if the Actual Redemption Date falls before or after the Final Maturity Date).

6.3.2 Unless otherwise specified in the Applicable Pricing Supplement, a Tranche of Mixed Rate Notes shall (i) for the Interest Period(s) during which such Tranche bears interest at the Interest Rate applicable to Fixed Rate Notes, be construed for all purposes as a Tranche of Fixed Rate Notes and (ii) for the Interest Period(s) during which such Tranche bears interest at the Interest Rate applicable to Floating Rate Notes, be construed for all purposes as a Tranche of Floating Rate Notes and (iii) for the Interest Period(s) during which such Tranche bears interest determined in accordance with an index or formula applicable to Indexed Notes, be construed for all purposes as a Tranche of Mixed Rate Notes.

### 6.4 Interest on Indexed Notes

6.4.1 Each Indexed Note will bear interest at the Interest Rate or in the Interest Amount determined by reference to such index and/or formula specified in the Applicable Pricing Supplement, for such Interest Period(s) as is/are specified for this purpose in the Applicable Pricing Supplement, from and including the Interest Commencement Date to but excluding the earlier of the Final Maturity Date (or the Actual Redemption Date, if the Actual Redemption Date falls before or after the Final Maturity Date) and the Coupon Step-Up Date, if any. If the Coupon Step-Up Date occurs, each Indexed Note will bear interest at the Coupon Step-Up Rate or in the Interest Amount determined by reference to such index and/or formula specified in the Applicable Pricing Supplement, for such Interest Period(s) as is/are specified for this purpose in the Applicable Pricing Supplement, from and including the Coupon Step-Up Date to but excluding the Final Maturity Date (or the Actual Redemption Date, if the Actual Redemption Date falls before or after the Final Maturity Date).

6.4.2 The interest due in respect of each Interest Period will be payable in arrear on the Interest Payment Date in respect of such Interest Period. The first payment of interest will be made on the Interest Payment Date following the Interest Commencement Date. If any Interest Payment Date falls upon a day which is not a Business Day, the provisions of Condition 8.3 shall determine the date of payment of interest due upon such Interest Payment Date. Interest in respect of any Interest Period shall accrue to and be paid on the relevant Interest Payment Date.

6.4.3 The Calculation Agent will, on each Rate Determination Date, determine, if applicable, the Interest Rate applicable to each Tranche of Indexed Notes and, if applicable, calculate the Interest Amount payable in respect of each Indexed Note in that Tranche for that Interest Period.

### 6.5 Publication of Interest Rate and Interest Amount by the Calculation Agent

6.5.1 The Calculation Agent will cause the Interest Rate for each Tranche of Notes (other than Fixed Rate Notes) determined upon each Rate Determination Date to be notified to the Noteholders in the manner set out in Condition 17, the Issuer and, if the Manager is not the Calculation Agent, then also to the Manager, the JSE and the Central Securities Depository as soon as practicable after such determination but in any event not later than 5 Business Days after such determination.

6.5.2 The Calculation Agent will, in relation to each Tranche of Notes, at least 3 Business Days before each Interest Payment Date, cause the aggregate Interest Amount payable for the relevant Interest Period in respect of such

Tranche of Notes to be notified to the Noteholders (in the manner set out in Condition 17), the Issuer and, if the Manager is not the Calculation Agent, then also to the Manager.

#### 6.6 **Calculation and publication of Interest Amount by the Manager**

Where, in relation to a Tranche of Notes, the Interest Amount payable in respect of each Note in that Tranche is not required to be calculated by the Calculation Agent pursuant to the Terms and Conditions or by some other agent specified in the Applicable Pricing Supplement, as the case may be, the Manager will calculate such Interest Amount, and the Manager will, at least 3 Business Days before each Interest Payment Date, cause the aggregate Interest Amount payable for the relevant Interest Period in respect of such Tranche of Notes to be notified to the Noteholders (in the manner set out in Condition 17), the JSE, the Central Securities Depository and the Issuer.

#### 6.7 **Calculations final and limitation of liability**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained by the Calculation Agent pursuant to the exercise or non-exercise by it of its powers, duties and discretions under the Terms and Conditions and the Transaction Documents and all certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained by the Manager pursuant to the exercise or non-exercise by it of its powers, duties and discretions under the Terms and Conditions and the Transaction Documents, will, in the absence of wilful deceit, bad faith, or manifest error, be binding on the Issuer, the Security SPV and all Secured Creditors (including Noteholders), and no liability to the Issuer, the Security SPV or the Secured Creditors (including Noteholders) will attach to the Calculation Agent and/or the Manager in connection therewith.

### 7. **Redemption and purchases**

#### 7.1 **Final Redemption**

Unless redeemed at a prior date as specified below, each Note in a Tranche of Notes shall, subject to the Conditions, be redeemed by the Issuer at its Outstanding Principal Amount (together with interest accrued thereon) on the Final Maturity Date.

The Issuer shall not be entitled or obliged to redeem the Notes in whole or in part prior to the Final Maturity Date, except as provided below.

#### 7.2 **Scheduled Redemption**

The Issuer shall, subject to Condition 7.3, redeem all, but not some only, of the Notes in a Tranche of Notes at their aggregate Outstanding Principal Amount (together with interest accrued thereon) on the Scheduled Maturity Date.

#### 7.3 **Mandatory Redemption in part (during the Revolving Period, as from the Scheduled Maturity Date)**

7.3.1 If any Notes in a Tranche of Notes are not redeemed in full on the Scheduled Maturity Date in terms of Condition 7.2 (such Notes being "**Matured Notes**"), this shall not constitute an Event of Default by the Issuer. On each Interest Payment Date on and as from the Scheduled Maturity Date, the Issuer shall partially redeem each Matured Note in reducing order of rank (and *pari passu* if of equal rank) as determined by the respective Classes of all the Matured Notes to the extent permitted by and in accordance with the Priority of Payments applicable during the Revolving Period, until the Outstanding Principal Amount of such Matured Note is reduced to zero.

7.3.2 The principal amount redeemable in respect of each Matured Note in a Class of Notes on an Interest Payment Date, shall be the amount allocated to the Matured Notes in that Class of Notes in accordance with the Priority of Payments on such Interest Payment Date, allocated *pro rata* to such Matured Note in the proportion which the Outstanding Principal Amount of such Matured Note bears to the Outstanding Principal Amount of all the

Matured Notes in that Class of Notes, rounded to the nearest Rand, provided always that no such amount may exceed the Outstanding Principal Amount of such Matured Note.

#### 7.4 **Mandatory Redemption in part (during the Revolving Period, prior to the Scheduled Maturity Date)**

7.4.1 During the Revolving Period, if there are no or insufficient eligible Further Advances and Additional Home Loans offered to the Issuer for purchase or if any conditions to such purchase are not satisfied, the Issuer shall partially redeem each Note in all Tranches of Notes (regardless of the Scheduled Maturity Dates of such Tranches of Notes), in reducing order of rank (and *pari passu* if of equal rank) as determined by the respective Classes of such Notes, to the extent permitted by and in accordance with the Priority of Payments applicable during the Revolving Period, until the Outstanding Principal Amount of such Note is reduced to zero; provided that in relation to the Class A Notes, the amount shall be allocated first to those Class A Notes specified in the Applicable Pricing Supplements as Prepayment Class A Notes, until such Prepayment Class A Notes have been redeemed in full and then only to the other Class A Notes.

7.4.2 The principal amount redeemable in respect of each Note in a Class of Notes on an Interest Payment Date, shall be the amount allocated to the Notes in that Class of Notes in accordance with the Priority of Payments on such Interest Payment Date, allocated *pro rata* to such Note in the proportion which the Outstanding Principal Amount of such Note bears to the Outstanding Principal Amount of all the Notes in that Class of Notes on such Interest Payment Date (regardless of the Scheduled Maturity Dates of the Tranches of Notes comprising that Class of Notes), rounded to the nearest Rand, provided always that no such amount may exceed the Outstanding Principal Amount of such Note.

#### 7.5 **Mandatory Redemption in part (Amortisation Period)**

7.5.1 On each Interest Payment Date during the Amortisation Period, the Issuer shall partially redeem each Note in all Tranches of Notes (regardless of the Scheduled Maturity Dates of such Tranches of Notes), in reducing order of rank (and *pari passu* if of equal rank) as determined by the respective Classes of such Notes, to the extent permitted by and in accordance with the Priority of Payments applicable during the Amortisation Period, until the Outstanding Principal Amount of such Notes is reduced to zero.

7.5.2 The principal amount redeemable in respect of each Note in a Class of Notes on an Interest Payment Date, shall be the amount allocated to the Notes in that Class of Notes in accordance with the Priority of Payments on such Interest Payment Date, allocated *pro rata* to such Note in the proportion which the Outstanding Principal Amount of such Note bears to the Outstanding Principal Amount of all the Notes in that Class of Notes on such Interest Payment Date (regardless of the Scheduled Maturity Dates of the Tranches of Notes comprising that Class of Notes), rounded to the nearest Rand, provided always that no such amount may exceed the Outstanding Principal Amount of such Note.

#### 7.6 **Optional redemption (general)**

7.6.1 If the Issuer has not redeemed the Notes in a Tranche of Notes in full on the Scheduled Maturity Date, then the Issuer may, at its option, having given not less than 20 days' notice to the Security SPV and the Noteholders, redeem all, but not some only, of the Notes in each Tranche of Notes having the same Scheduled Maturity Date, on any Interest Payment Date falling after such Scheduled Maturity Date (which Interest Payment Date shall be stipulated in such notice), at their Outstanding Principal Amount (together with accrued interest thereon) provided that, prior to giving such notice, the Issuer shall have provided to the Security SPV a certificate signed by 2 directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, to redeem such Notes.

7.6.2 On any Interest Payment Date during the Amortisation Period on which the aggregate Outstanding Principal Amount of the Notes is equal to or less than 10% of the maximum aggregate Principal Amount of the Notes that have been issued at any time, and upon giving not less than 20 days' notice to the Security SPV and the Noteholders, the Issuer may redeem all, but not some only, of the Notes at their Outstanding Principal Amount



(together with accrued interest thereon) provided that, prior to giving such notice, the Issuer shall have provided to the Security SPV a certificate signed by 2 directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, to redeem all the Notes as set out above.

## 7.7 **Optional redemption for tax reasons**

7.7.1 If the Issuer immediately prior to the giving of the notice referred to below satisfies the Security SPV that as a result of any change in, or amendment to, the laws or regulations of South Africa or any political sub-division of, or any authority in, or of, South Africa having power to tax becoming effective after the Issue Date, the Issuer is or would be required to deduct or withhold from any payment of principal or interest on any Tranche of Notes any amounts as provided or referred to in Condition 9 and such requirements cannot be avoided by the Issuer taking reasonable measures available to it, then, on any Interest Payment Date, the Issuer may at its option, having given not less than 20 days' notice to the Security SPV and Noteholders in accordance with Condition 17 (which notice shall be irrevocable), redeem all, but not some only, of the Notes in such Tranche of Notes, at their Outstanding Principal Amount (together with interest accrued thereon) provided that no notice of redemption shall be given earlier than 90 days before the earliest date of which the Issuer would incur the obligation to make such deduction or would necessarily receive such lesser amount for interest.

7.7.2 Prior to giving such notice of redemption, the Issuer shall have provided to the Security SPV:

7.7.2.1 a certificate signed by 2 directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, to redeem such Notes as set out above; and

7.7.2.2 a legal opinion (in form and substance satisfactory to the Security SPV) from a firm of lawyers in South Africa (approved in writing by the Security SPV) opining on the relevant event.

## 7.8 **Purchases**

The Issuer may not at any time purchase Notes in the open market or otherwise.

## 7.9 **Cancellation**

All Notes which are redeemed in full will forthwith be cancelled. All Notes so cancelled shall be held by the Issuer and cannot be re-issued or resold. Where a portion of the Notes represented by a Certificate are cancelled, the Transfer Agent shall deliver a Certificate to such Noteholder in respect of the balance of the Notes. The Issuer shall notify the Central Securities Depository and the JSE of any cancellation or partial redemption of the Notes so that such entities can record the reduction in the aggregate Principal Amount of the Notes in issue.

## 8. **Payment**

### 8.1 **Method of payment**

8.1.1 Payments of interest and principal in respect of Notes held in uncertificated form in the Central Securities Depository will be made to the holders of Beneficial Interests in accordance with the Applicable Procedures. Each of the persons reflected in the records of the Central Securities Depository or the relevant Participants, as the case may be, as the holders of Beneficial Interests shall look solely to the Central Securities Depository or the relevant Participant, as the case may be, for such persons share of each payment so made by the Issuer to, or for the order of, the registered holder of the Notes held in uncertificated form. The Issuer will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Beneficial Interests, or for maintaining, supervising or reviewing any records relating to such Beneficial Interests. Payments of interest and principal in respect of Notes held in uncertificated form shall be recorded by the Central Securities Depository in accordance with the Applicable Procedures, distinguishing between interest and principal, and such record of payments by the registered holder of the Notes shall be *prima facie* proof of such payments. Payments of interest and principal in respect of Notes represented by Individual Certificates

shall be made to the person reflected as the registered holder of the Individual Certificate in the Register on the Last Day to Register.

- 8.1.2 The Issuer shall pay the interest and principal payable in respect of each Note, in immediately available and freely transferable funds, in Rands by electronic funds transfer, to the bank account of the Noteholder as set forth in the Register at 17h00 (South African time) on the Last Day To Register (whether or not such day is a Business Day) preceding the relevant Interest Payment Date or Redemption Date, as the case may be, or, in the case of joint Noteholders, the account of that one of them who is first named in the Register in respect of that Note. If several persons are entered into the Register as joint Noteholders, then without affecting the previous provisions of this condition, payment to any one of them of any monies payable on or in respect of the Note shall be an effective and complete discharge by the Issuer of the amount so paid, notwithstanding any notice (express or otherwise) which the Issuer may have of the right, title, interest or claim of any other person to or in any Note or interest therein.
- 8.1.3 If the Issuer is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with Condition 8.1.1 (whether by reason of strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of labour, government interference or control or any other cause or contingency beyond the control of the Issuer) such inability will not constitute an Event of Default and the Issuer shall make such payment by cheque (or by such number of cheques as may be required in accordance with applicable banking law and practice).
- 8.1.4 All monies so payable by cheque will be sent by post, at the risk of the Noteholders, to the address of the Noteholder as set forth in the Register or, in the case of joint Noteholders, the address set forth in the Register of that one of them who is first named in the Register in respect of that Note. Each such cheque shall be made payable to or for the order of the relevant Noteholder or, in the case of joint Noteholders, the first one of them named in the Register. Cheques may be posted by ordinary post, provided that the Issuer shall not be responsible for any loss, including any loss due to theft or fraud, in transmission and the postal authorities shall be deemed to be the agent of the Noteholders for the purpose of all cheques posted in terms of this Condition 8. Payment by cheque sent in terms of this Condition 8 shall be a complete discharge by the Issuer of its obligations in respect of the amount of the cheque.
- 8.1.5 Only Noteholders reflected in the Register at 17h00 (South African time) on the relevant Last Day to Register will be entitled to payments of interest and/or principal in respect of Notes.
- 8.1.6 Payments will be subject in all cases to the Priority of Payments and any Taxation or other laws, directives and regulations applicable to such payment in the place of payment.

## 8.2 **Surrender of Certificates**

- 8.2.1 On or before the Last Day to Register prior to any Redemption Date (including a Redemption Date relating to mandatory redemption in part), the holder of an Individual Certificate, in respect of a Note to be redeemed (in part or in whole, as the case may be) shall deliver to the Transfer Agent the Individual Certificates to be redeemed. This will enable the Transfer Agent to endorse the partial redemption thereon or, in the case of final redemption, to cancel the relevant Individual Certificates.
- 8.2.2 Should the holder of an Individual Certificate refuse or fail to surrender the Individual Certificate for endorsement or cancellation on or before a Redemption Date, the amount payable to him in respect of such redemption, including any accrued interest, shall be paid to the Security SPV to be retained by it for such Noteholder, at the latter's risk, until the Noteholder surrenders the necessary Certificate, and interest shall cease to accrue to such Noteholder from the Redemption Date in respect of the amount redeemed.
- 8.2.3 Documents required to be presented and/or surrendered to the Transfer Agent in accordance with the Terms and Conditions will be so presented and/or surrendered at the Specified Office of the Transfer Agent.

### 8.3 **Payment date**

Notwithstanding anything to the contrary contained in the Terms and Conditions, if the date for payment of any amount payable in respect of any Note is not a Business Day, then:

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

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

### 8.4 **Calculation and notice of principal payments**

The Manager will calculate the aggregate amount of principal due and payable by the Issuer for each Note on each date that payment is due and payable in accordance with the Priority of Payments. The Manager will, at least 2 Business Days before each such date, cause such aggregate amount of principal to be notified to the Noteholders in the manner set out in Condition 17 and to the Issuer.

## 9. **Taxation**

9.1 All payments (whether in respect of principal, interest or otherwise) in respect of the Notes will be made without withholding or deduction for or on account of any Taxes, unless such withholding or deduction is required by Applicable Law.

9.2 The payment of any Taxes by the Issuer as an agent or representative taxpayer for a Noteholder shall not constitute a withholding or deduction for the purposes of this Condition 9.

9.3 If any such withholding or deduction is required by Applicable Law in respect of Taxes imposed or levied on any payments (whether in respect of principal, interest or otherwise) in respect of any Notes, the Issuer will, subject to the Issuer's rights to redeem such Notes in terms of Condition 7.7, make such payments after such withholding or deduction has been made and will account to the relevant authorities for the amount so required to be withheld or deducted. The Issuer will not be obliged to make any additional payments to Noteholders in respect of such withholding or deduction.

## 10. **Undertakings of the Issuer**

### 10.1 **Comply with obligations**

The Issuer undertakes that it will comply in all material respects with the obligations imposed on it in terms of the Transaction Documents to which it is a party.

### 10.2 **Positive undertakings**

The Issuer undertakes that it shall:

10.2.1 **(Accounting Records)** prepare proper and adequate accounting records and lodge returns in accordance with generally accepted accounting practice and the Companies Act;

10.2.2 **(Accounts)** provide to the Security SPV and the Rating Agency its audited financial statements for each financial year within 90 days of the end of that year;

10.2.3 **(other information)** promptly give to the Security SPV such information relating to the financial condition or operations of the Issuer as the Security SPV may from time to time reasonably request, except for such information the disclosure of which would contravene Applicable Law or render the Issuer in breach of any confidentiality obligation;

- 10.2.4 (Taxes) pay all Taxes (other than Taxes disputed by the Issuer in good faith) when due;
- 10.2.5 (Event of Default) notify the Security SPV and the Rating Agency of the occurrence of any Event of Default, as soon as it becomes aware of it;
- 10.2.6 (separate entity) always hold itself out as an entity which is separate from any other entity or group of entities, and correct any misunderstanding known to the Issuer regarding its separate identity; and
- 10.2.7 (notification to Rating Agency) notify the Rating Agency of the occurrence of any of the following:
- 10.2.7.1 should the Security SPV be requested to give its consent to anything in relation to the Transaction Documents and the response of the Security SPV to such request;
- 10.2.7.2 should the Issuer and a Dealer agree to issue Notes in a form not contemplated by the Terms and Conditions;
- 10.2.7.3 should a new Programme Memorandum or a supplement to the Programme Memorandum be issued by the Issuer;

### 10.3 Negative undertakings

The Issuer undertakes that it shall not, except as permitted under any Transaction Document or otherwise with the prior written consent of the Security SPV:

- 10.3.1 (negative pledge) create or permit to subsist any Encumbrance (unless arising by operation of law) upon the whole or any part of its assets, present or future, save for any Encumbrance upon the assets pursuant to the Security Agreements;
- 10.3.2 (disposal of assets) transfer, sell, exchange, realise, alienate, lend, part with or otherwise dispose of, or deal with, or grant any right of first refusal, option or present or future right to acquire any of its assets or any interest, right, title or benefit therein, save as in accordance with any Transaction Document;
- 10.3.3 (winding-up) cause itself to be voluntarily wound-up or placed under judicial management or supervision by a business rescue practitioner;
- 10.3.4 (restrictions on activities) engage in any activity which is not in terms of or necessarily incidental to any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;
- 10.3.5 (shares) issue any further shares or repurchase shares, except those Preference Shares created pursuant to the Transaction Documents which:
- 10.3.5.1 have no rights which conflict with the rights of Noteholders; and
- 10.3.5.2 are subordinated in all respects to the rights of Noteholders;
- 10.3.6 (dividends) authorise the payment of, or pay, any dividend or other distribution to its shareholders, except any preference dividend, and any Tax thereon, payable in accordance with the Priority of Payments and pursuant to the Transaction Documents;
- 10.3.7 (bank accounts) open or operate any bank accounts, other than the Bank Accounts opened in terms of the Transaction Documents;
- 10.3.8 (Derivative Contracts) enter into any Derivative Contract, unless the Derivative Counterparty meets the Rating Agency hedging criteria from time to time;

- 10.3.9            **(no payment)** make or attempt or purport to make any payment in respect of a Note or other amount owing prior to the date on which the payment is due for payment in terms of the Priority of Payments;
- 10.3.10          **(borrowings)** raise or incur any obligation, whether as principal or surety, for the payment or repayment of money, whether present or future, actual or contingent, other than as envisaged in the Transaction Documents;
- 10.3.11          **(other financial accommodation)** grant any guarantee or other assurance whatsoever against financial loss or allow any such guarantee or assurance to be outstanding in connection with any money borrowed or raised by any person other than as part of the Issuer's Business;
- 10.3.12          **(general acts)** do any of the following things:
- 10.3.12.1                 register any transfer of shares in its issued share capital;
- 10.3.12.2                 amend its memorandum of incorporation;
- 10.3.12.3                 engage any employees;
- 10.3.12.4                 have or acquire any subsidiaries;
- 10.3.12.5                 occupy any premises;
- 10.3.13          **(Transaction Documents)**
- 10.3.13.1                 cancel or amend any Transaction Documents;
- 10.3.13.2                 grant a waiver in respect of any Transaction Document;
- 10.3.13.3                 discharge or release any person from their obligations under any Transaction Document if that person has not performed its obligations in full;
- 10.3.13.4                 novate or assign any Transaction Document;
- 10.3.13.5                 cede any of its rights or delegate any of its obligations under any Transaction Document; or
- 10.3.14          **(other transactions)** enter into any document, agreement or arrangement other than in terms of the Transaction Documents.
- 10.4            In giving any consent to the foregoing, the Security SPV may require the Issuer to make such modifications or additions to the Terms and Conditions and/or to the provisions of any of the Transaction Documents (subject to Condition 18) or may impose such other conditions or requirements as the Security SPV may deem expedient (in its absolute discretion) in the interests of the Secured Creditors, including the Noteholders; provided that the Rating Agency is furnished with at least 5 Business Days prior written notice of the proposed action and has not notified the Issuer in writing that the proposed action may cause it to downgrade or withdraw its respective current Ratings of the Notes in issue.

## 11. Events of Default

### 11.1 An Event of Default will occur should:

- 11.1.1            the Issuer fail to pay an amount of interest due and payable to the Controlling Class Noteholders within 3 Business Days of the Interest Payment Date or principal due and payable to the Controlling Class Noteholders within 3 Business Days of the Final Maturity Date, in each case irrespective of whether or not there are available funds for that purpose in terms of the Priority of Payments; or

- 11.1.2 the Issuer fail to pay any amount, whether in respect of interest, principal or otherwise, due and payable in respect of any other Class of Notes within 10 Business Days of the due date for the payment in question, to the extent permitted by available funds for that purpose in terms of the Priority of Payments; or
- 11.1.3 the Issuer fail duly to perform or observe any other obligation binding on it under the Terms and Conditions or any of the other Transaction Documents, which breach is not remedied within the cure period permitted therefor in the relevant Transaction Document or, if no such cure period is provided (and an immediate default is not triggered under such Transaction Document), within 30 days after receiving written notice from either the Security SPV or a party to the relevant Transaction Document requiring such breach to be remedied; or
- 11.1.4 the Issuer cease to be wholly owned by the Owner Trust without the prior written consent of the Security SPV; or
- 11.1.5 the Issuer be wound-up, liquidated, subject to an offer of compromise in terms of section 155 of the Companies Act, (other than one the terms of which have been approved by the Security SPV or by an Extraordinary Resolution of the Noteholders and where the Issuer is solvent), deregistered or placed under judicial management or supervision by a business rescue practitioner, in any such event whether provisionally or finally and whether voluntarily or compulsorily, or pass a resolution providing for any such event; or
- 11.1.6 the Issuer have any judgment or similar award ("**judgment**") awarded against it and fail to satisfy such judgment within 30 days after becoming aware thereof; or
- 11.1.7 if such judgment is appealable, fail to appeal against such judgment within the time limits prescribed by law or fail to diligently prosecute such appeal thereafter or ultimately fail in such appeal and then fail to satisfy such judgment within 10 days; and/or
- 11.1.8 if such judgment is a default judgment, fail to apply for the rescission thereof within the time limits prescribed by law or fail to diligently prosecute such application thereafter or ultimately fail in such application and then fail to satisfy such judgment within 10 days; and/or
- 11.1.9 if such judgment is reviewable, fail to initiate proceedings for the review thereof within the time limits prescribed by law or fail to diligently prosecute such proceedings thereafter or ultimately fail in such proceedings and then fail to satisfy such judgment within 10 days; or
- 11.1.10 the Issuer be or become insolvent or commit any act which is or, if it were a natural person, would be an act of insolvency as defined in the Insolvency Act, 1936 (except a deferral provided for in the Transaction Documents as a result of a lack of funds available for that purpose in terms of the Priority of Payments); or
- 11.1.11 the Issuer be deemed to be unable to pay its debts in terms of the Companies Act (except a deferral provided for in the Transaction Documents as a result of a lack of funds available for that purpose in terms of the Priority of Payments); or
- 11.1.12 the Issuer compromise or attempt to compromise with, or defer or attempt to defer payment of debts owing by it to, its creditors generally or any significant class of creditors (except a deferral provided for in the Transaction Documents as a result of a lack of funds available for that purpose in terms of the Priority of Payments); or
- 11.1.13 any procedural step be taken by the Issuer (including application, proposal or convening a meeting) with a view to a compromise or arrangement with any creditors generally or any significant class of creditors; or
- 11.1.14 the Security Interests in favour of the Security SPV pursuant to any of the Security Agreements become unenforceable for any reason whatsoever (or be reasonably claimed by the Security SPV not to be in full force and effect) or should the grant to the Security SPV of a first priority Security Interest in respect of the assets cease; or

- 11.1.15 it be or become unlawful for the Issuer to perform any of its obligations under the Transaction Documents and the Security SPV has certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders; or
- 11.1.16 any consent, licence, permit or authorisation required by the Issuer for the conduct of its business be revoked, withdrawn, materially altered or not renewed and such situation not be remedied within 14 days after the Issuer and/or the Manager have been given written notice requiring the applicable consent, licence, permit or authorisation to be obtained; or
- 11.1.17 the Issuer alienate or encumber any of its assets (other than as provided for in terms of the Transaction Documents) without the prior written consent of the Security SPV; or
- 11.1.18 the Issuer cease to carry on its business in a normal and regular manner or materially change the nature of its business, or through an official act of the board of directors of the Issuer, threaten to cease to carry on business.
- 11.2 If an Event of Default occurs:
- 11.2.1 the Manager will forthwith inform the Security SPV and the Rating Agency;
- 11.2.2 the Security SPV will, as soon as such Event of Default comes to its notice (whether as a result of having been informed by the Manager thereof pursuant to Condition 11.2.1 or otherwise), forthwith call a meeting of the Controlling Class Noteholders;
- 11.2.3 all the Notes will become immediately due and payable:
- 11.2.3.1 if, at such meeting, the Controlling Class Noteholders so decide, by Extraordinary Resolution; or
- 11.2.3.2 if the Security SPV in its discretion so decides.
- 11.3 If the Controlling Class Noteholders decide that the Notes will become immediately due and payable as contemplated in Condition 11.2.3.1, the Controlling Class Noteholders will notify the Issuer and the Security SPV accordingly.
- 11.4 If the Controlling Class Noteholders decide that the Notes will become immediately due and payable as contemplated in Condition 11.2.3.1 or if the Security SPV decides that the Notes will become immediately due and payable as contemplated in Condition 11.2.3.2, as the case may be, the Security SPV will, by written notice to the Issuer (an **"Enforcement Notice"**), declare the Notes and any amounts owing under any other Transaction Document, to be immediately due and payable, and require the Outstanding Principal Amount of the Notes, together with any accrued interest thereon, and the amounts owing under any other Transaction Document, to be forthwith paid or repaid, to the extent permitted by and in accordance with the Post-Enforcement Priority of Payments. The Issuer shall forthwith do this, failing which the Security SPV may take all necessary steps, including legal proceedings, to enforce the rights of the Noteholders and other Secured Creditors set out in, and the security given therefor in terms of, these Terms and Conditions and the other Transaction Documents, subject always to the provisions of the Post-Enforcement Priority of Payments. Should the Security SPV fail to deliver the Enforcement Notice within 10 Business Days of being called upon to do so by the Controlling Class Noteholders, the notification by the Controlling Class Noteholders to the Issuer in accordance with Condition 11.3 shall constitute delivery of the Enforcement Notice.
- 11.5 The Security SPV will not be required to take any steps to ascertain whether any Event of Default has occurred or to monitor or supervise the observance and performance by the Issuer of its obligations under the Terms and Conditions and the other Transaction Documents and until the Security SPV has actual knowledge or has been served with express notice thereof it will be entitled to assume that no such Event of Default has taken place.
- 11.6 If the Notes become immediately due and payable following delivery of an Enforcement Notice, they will be redeemed and paid strictly in accordance with the Post-Enforcement Priority of Payments. If the Issuer has insufficient available

funds to redeem all the Notes in full, the Notes will be redeemed, in reducing order of rank in the Post-Enforcement Priority of Payments, in each case *pro rata* to their Outstanding Principal Amount.

## 12. Enforcement, subordination and non-petition

12.1 Each Noteholder agrees that its claims against the Issuer and the Security SPV are subordinated for the benefit of other Secured Creditors in accordance with the Priority of Payments. The Issuer will not be obliged to make payment of, and Noteholders will not be entitled to receive payment of, any amount due and payable by the Issuer under the Notes, except in accordance with the Priority of Payments, unless and until all amounts required to be paid or provided for in terms of the Priority of Payments in priority thereto have been paid, provided for or discharged in full, and then only to the extent that there are available funds in the Priority of Payments for that purpose. Should the Issuer fail to pay all or part of any amount then due and payable by it to the Noteholders on any date, as a result of lack of available funds for that purpose in terms of the Priority of Payments:

12.1.1 the Issuer will not be in default of its obligations under the Notes (other than a failure to pay amounts due and payable to the Controlling Class Noteholders, which shall constitute an Event of Default in accordance with Condition 11.1.1);

12.1.2 the unpaid amount will not bear penalty interest; and

12.1.3 payment of the unpaid amount will be deferred to the following date upon which there are available funds to make such payment in terms of the Priority of Payments applicable on such date. Upon any deferral of the payment of interest due and payable under any Notes, such interest shall not be added to the Outstanding Principal Amount in relation to such Notes.

12.2 Notwithstanding any other provision of any Transaction Document, the obligation of the Issuer to make payment to the Noteholders is limited to the lesser of:

12.2.1 the amounts owing to the Noteholders; and

12.2.2 the aggregate of the actual amount recovered and available for distribution from the assets to such Noteholders, and the payment of such amount that is available for distribution to the Noteholders in accordance with the Priority of Payments will constitute fulfilment of the Issuer's obligations to make payment to the Noteholders. Once all the assets of the Issuer have been extinguished, each Noteholder abandons all claims it may have against the Issuer in respect of amounts still owing to it but unpaid, and the Issuer's liability to the Noteholders shall be completely discharged.

12.3 It is recorded that as security for the due, proper and timeous fulfilment by the Issuer of all its obligations under the Notes, the Security SPV has executed the Security SPV Guarantee in favour of the Secured Creditors (including the Noteholders). Each Noteholder expressly accepts the benefits of the Security SPV Guarantee and acknowledges the limitations on its rights of recourse in terms of such Security SPV Guarantee.

12.4 Subject to the provisions of Condition 12.6, each Noteholder agrees that only the Security SPV may enforce the security created in favour of the Security SPV by the Security Agreements in accordance with the provisions of the Security Agreements and the Transaction Documents.

12.5 The rights of Noteholders against the Issuer will be limited to the extent that the Noteholders will not be entitled to take any action or proceedings against the Issuer to recover any amounts payable by the Issuer to them under or in connection with the Notes (including not levying or enforcing any attachment or execution upon the assets of the Issuer), and all rights of enforcement will be exercised in accordance with the provisions of the Security SPV Guarantee, provided that:



- 12.5.1 if the Security SPV is entitled and obliged to enforce its claim against the Issuer pursuant to the Issuer Indemnity but fails to do so within 60 Business Days of being called upon to do so by any Secured Creditor (other than a Noteholder) or by an Extraordinary Resolution of the Controlling Class Noteholders; or
- 12.5.2 if the Security SPV is wound-up, liquidated, de-registered or placed under judicial management or supervision by a business rescue practitioner (in each case whether voluntarily or compulsorily, provisionally or finally) or if the Security SPV Guarantee and/or Issuer Indemnity are not enforceable (as finally determined by a judgment of a court of competent jurisdiction after all rights of appeal and review have been exhausted or as agreed by the Security SPV, the Noteholders (by way of Extraordinary Resolution of the Controlling Class Noteholders) and other Secured Creditors),
- then Noteholders will be entitled to take action themselves to enforce their claims directly against the Issuer if an Event of Default occurs.
- 12.6 The Noteholders will not, until 2 years following the payment of all amounts outstanding and owing by the Issuer under the Notes and all the other Transaction Documents, institute, or join with any person in instituting or vote in favour of, any steps or legal proceedings for the winding-up, liquidation, de-registration, business rescue proceedings, judicial management of, or any scheme of compromise or scheme of arrangement or related relief in respect of:
- 12.6.1 the Issuer or for the appointment of a liquidator, judicial administrator, business rescue practitioner or similar officer of the Issuer, provided that nothing in this clause will limit the Security SPV from taking such action, in the event that the Security SPV is unable (whether due to practical or legal impediments which in the reasonable opinion of the Security SPV are not of a temporary nature) to enforce the Security Agreements; or
- 12.6.2 the Security SPV or for the appointment of a liquidator, judicial administrator, business rescue practitioner or similar officer of the Security SPV.
- 12.7 Without prejudice to the foregoing provisions of this Condition, each Noteholder undertakes to the Issuer and the Security SPV that if any payment is received by it other than in accordance with the Priority of Payments in respect of amounts due to it by the Issuer and/or the Security SPV, the amount so paid will be received and held by such Noteholder as agent for the Issuer and/or the Security SPV, as the case may be, and will be paid to the Issuer and/or the Security SPV, as the case may be, immediately on demand.
- 12.8 The Security SPV has acknowledged in the Common Terms Agreement that it holds the security created pursuant to the Security Agreements to be distributed, on enforcement of the Security Agreements, in accordance with the provisions of the Priority of Payments.
- 12.9 Each Noteholder undertakes that it will not set off or claim to set off any amounts owed by it to the Issuer or the Security SPV against any amount owed to it by the Issuer or the Security SPV.
- 12.10 Notwithstanding the provisions of the preceding sub-Conditions, in the event of a liquidation or a winding-up of the Issuer or the Security SPV or of the Issuer or the Security SPV being placed under judicial management or supervision by a business rescue practitioner, Secured Creditors ranking prior to others in the Priority of Payments will be entitled to receive payment in full from the assets of the Issuer of amounts due and payable to them, before other Secured Creditors that rank after them in the Priority of Payments receive any payment of amounts owing to them.
- 12.11 In order to ensure the fulfilment of the provisions of the Priority of Payments in the event of a liquidation or a winding-up of the Issuer or the Issuer being placed under judicial management or supervision by a business rescue practitioner, each Noteholder agrees that in the event of a liquidation or winding-up of the Issuer or of the Issuer being placed under judicial management or supervision by a business rescue practitioner, it will recover all amounts due and payable by the Issuer to such Noteholder in accordance with the provisions of the Security SPV Guarantee. The Security SPV will, in turn, make a claim in the winding-up, liquidation, business rescue or judicial management proceedings of the Issuer pursuant to the Issuer Indemnity and, out of any amount recovered in such proceedings, pay the Secured Creditors in accordance with the Post-Enforcement Priority of Payments.

- 12.12 In the event that the Security SPV fails, for whatever reason, to make a claim in the liquidation, winding-up, business rescue or judicial management proceedings of the Issuer pursuant to the Issuer Indemnity or should the liquidator, business rescue practitioner or judicial administrator not accept a claim tendered for proof by the Security SPV pursuant to the Issuer Indemnity, then each Noteholder will be entitled to lodge such claims itself but each Noteholder agrees that:
- 12.12.1 any claim made or proved by a Noteholder in the liquidation, winding-up, business rescue or judicial management proceedings in respect of amounts owing to it by the Issuer will be subject to the condition that no amount will be paid in respect thereof to the extent that the effect of such payment would be that the amount payable to the Secured Creditors that rank prior to it in terms of the Post-Enforcement Priority of Payments would be reduced; and
- 12.12.2 if the liquidator, business rescue practitioner or judicial administrator does not accept claims proved subject to the condition contained in Condition 12.13.1 then each Secured Creditor will be entitled to prove its claims against the Issuer in full, on the basis that any liquidation dividend payable to it is paid to the Security SPV for distribution in accordance with the Post-Enforcement Priority of Payments.
- 12.13 Nothing in the Terms and Conditions limits:
- 12.13.1 the exercise of any right or power by the Security SPV under the Security Agreements and/or the Issuer Indemnity;
- 12.13.2 the entitlement of the Security SPV to levy or enforce any attachment or execution upon the assets of the Issuer;
- 12.13.3 any Secured Creditor from obtaining or taking any proceedings to obtain an interdict, mandamus or other order to restrain any breach of any Transaction Document by any party;
- 12.13.4 any Secured Creditor from obtaining or taking any proceedings to obtain declaratory relief in relation to any provision of any Transaction Document in relation to any party; or
- 12.13.5 the exercise by any Derivative Counterparty under a Derivative Contract of rights of netting or set-off, where such rights are explicitly provided for in accordance with the terms of the relevant Transaction Document.

### 13. **Benefits**

- 13.1 The Terms and Conditions, insofar as they confer benefits on any Secured Creditor (other than a Noteholder), comprise a stipulation for the benefit of such Secured Creditor and will be deemed to be accepted by each such Secured Creditor upon execution of the Common Terms Agreement by each such Secured Creditor.
- 13.2 Each Noteholder, upon its subscription for Notes and the issue of Notes to it, or upon the transfer of Notes to it, as the case may be, accepts the benefits of those provisions of the Common Terms Agreement which confer benefits on the Noteholders.
- 13.3 It is recorded that the Security SPV, upon signing the Security SPV Guarantee, is deemed to have notice of the Terms and Conditions, and the Security SPV shall be bound by those provisions of the Terms and Conditions which confer rights and/or impose obligations on the Security SPV.

### 14. **Replacement of Notes**

#### 14.1 **Costs**

Certificates shall be provided (whether by way of issue or delivery) by the Issuer without charge, save as otherwise provided in these Terms and Conditions. The costs and expenses of delivery of Certificates by a method other than

ordinary post (if any) and, if the Issuer shall so require, taxes or governmental charges or insurance charges that may be imposed in relation to such mode of delivery, shall be borne by the Noteholder.

#### 14.2 **Replacement**

If any Certificate is mutilated, defaced, stolen, destroyed or lost it may be replaced at the office of the Transfer Agent on payment by the claimant of such costs and expenses as may be incurred in connection therewith and against the furnishing of such indemnity as the Transfer Agent may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

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

Any person becoming entitled to Notes in consequence of the death, sequestration or liquidation of the relevant Noteholder may, upon producing evidence to the satisfaction of the Issuer that he holds the position in respect of which he proposes to act under this paragraph or of his title, require the Transfer Agent to register such person as the holder of such Notes or, subject to the requirements of this Condition, to transfer such Notes to such person

#### 14.4 **Exchange of Beneficial Interests**

14.4.1 The holder of a Beneficial Interest in Notes may, in terms of the Applicable Procedures and subject to section 35 of the Financial Markets Act, by written notice to the holder's nominated Participant (or, if such holder is a Participant, the Central Securities Depository), request that such Beneficial Interest be exchanged for Notes in definitive form represented by a Certificate (the "**Exchange Notice**"). The Exchange Notice shall specify the name, address and bank account details of the holder of the Beneficial Interest.

14.4.2 The holder's nominated Participant will, following receipt of the Exchange Notice, through the Central Securities Depository, notify the Transfer Agent that it is required to exchange such Beneficial Interest for Notes represented by an Individual Certificate. The Transfer Agent will, as soon as is practicable but within 14 days after receiving such notice, in accordance with the Applicable Procedures, procure that an Individual Certificate is prepared, authenticated and made available for delivery, on a Business Day falling within the aforementioned 14 day period, to the holder of the Beneficial Interest at the Specified Office of the Transfer Agent; provided that joint holders of a Beneficial Interest shall be entitled to receive only one Certificate in respect of that joint holding, and delivery to one of those joint holders shall be delivery to all of them.

14.4.3 In the case of the exchange of a Beneficial Interest in Notes issued in uncertificated form:

14.4.3.1.1 the Central Securities Depository will surrender (through the Central Securities Depository system) such uncertificated Notes to the Transfer Agent at its Specified Office;

14.4.3.1.2 the Transfer Agent will obtain the release of such uncertificated Notes from the Central Securities Depository in accordance with the Applicable Procedures.

14.4.4 A Certificate shall, in relation to a Beneficial Interest in any number of Notes issued in uncertificated form of a particular aggregate Principal Amount standing to the account of the holder thereof, represent that number of Notes of that aggregate Principal Amount, and shall otherwise be in such form as may be agreed between the Issuer and the Transfer Agent; provided that if such aggregate Principal Amount is equivalent to a fraction of R1 000 000 (or the equivalent thereof in the Specified Currency if the Specified Currency is not Rand) or a fraction of any multiple thereof, such Certificate shall be issued in accordance with, and be governed by, the Applicable Procedures.

#### 15. **Transfer of Notes**

15.1 Beneficial Interests in the Notes may be transferred in terms of the Applicable Procedures through the Central Securities Depository.

- 15.2 The Central Securities Depository maintains accounts only for its Participants. Beneficial Interests which are held by Participants (which are also Settlement Agents) may be held directly through the Central Securities Depository. Participants are in turn required to maintain securities accounts for their clients. Beneficial Interests which are not held by Participants may be held by clients of Participants indirectly through such Participants.
- 15.3 Transfers of Beneficial Interests to and from clients of Participants occur, in terms of existing law and practice, by way of electronic book entry in the securities accounts maintained by the Participants for their clients. Transfers of Beneficial Interests among Participants occur through electronic book entry in the central securities accounts maintained by the Central Securities Depository for the Participants. Such transfers will be recorded in accordance with the Applicable Procedures. Beneficial Interests may be transferred only in accordance with these Terms and Conditions, and the Applicable Procedures.
- 15.4 In order for any transfer of Notes represented by an Individual Certificate to be recorded in the Register, and for such transfer to be recognised by the Issuer:
- 15.4.1 the transfer of such Notes must be embodied in the Transfer Form;
- 15.4.2 the Transfer Form must be signed by the registered Noteholder and the transferee, or any authorised representative of that registered Noteholder and/or transferee; and
- 15.4.3 the Transfer Form must be delivered to the Transfer Agent at its Specified Office together with the relevant Individual Certificate for cancellation.
- 15.5 Transfers of Notes represented by an Individual Certificate will only be in a denomination of R1 000 000 or more. Notes represented by a Certificate may be transferred in whole or in part (in amounts of not less than R1 000 000).
- 15.6 Subject to the preceding provisions of this Condition 15, the Transfer Agent will, within 3 Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), record the transfer of Notes represented by an Individual Certificate in the Register, and authenticate and deliver to the transferee at the Transfer Agent's Specified Office or, at the risk of the transferee, send by mail to such address as the transferee may request, a new Individual Certificate in respect of such Notes reflecting the same Outstanding Principal Amount as the Notes transferred. Where a Noteholder has transferred part only of his holding of Notes represented by an Individual Certificate, the Transfer Agent will authenticate and deliver to such Noteholder at the Transfer Agent's Specified Office or, at the risk of such Noteholder, send by mail to such address as such Noteholder may request, a new Individual Certificate in respect of the balance of the Notes held by such Noteholder.
- 15.7 The transferor of any Notes represented by an Individual Certificate will be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.
- 15.8 Before any transfer of any Notes represented by an Individual Certificate is registered, all relevant transfer taxes (if any) must have been paid by the transferor and/or the transferee and such evidence must be furnished as the Transfer Agent reasonably requires as to the identity and title of the transferor and the transferee.
- 15.9 No transfer of any Notes represented by an Individual Certificate will be registered while the Register is closed as contemplated in Condition 16.
- 15.10 If a transfer of any Notes represented by an Individual Certificate is registered, the Transfer Form and cancelled Individual Certificate will be retained by the Transfer Agent.
16. **Register**
- 16.1 The Register will be kept at the Specified Office of the Transfer Agent. The Register will contain the name, address and bank account details of the registered Noteholders. The Register will set out the Principal Amount of the Notes issued to any Noteholder and will show the date of such issue and the date upon which the Noteholder became registered as

such. The Register will show the serial numbers of the Certificates issued. The Register will be open for inspection during the normal business hours of the Transfer Agent to any Noteholder or any person of proven identity authorised in writing by any Noteholder. The Issuer and the Transfer Agent will not be bound to enter any trust into the Register or to take any notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject.

16.2 In terms of section 50 of the Companies Act, read with the Financial Markets Act and the rules of the Central Securities Depository, the Issuer will (i) record in the Register, the total number, and where applicable, the nominal value of the Notes issued by it in uncertificated form, and (ii) the Central Securities Depository Participants will administer and maintain the company's Uncertificated Securities Register, which will form part of the Register.

16.3 The Register will, in respect of a Tranche of Notes, be closed during the 5 days preceding each Interest Payment Date and Redemption Date, as the case may be, from 17h00 (South Africa time) on the Last Day to Register or such other Books Closed Period as is specified in the Applicable Pricing Supplement. All periods referred to for the closure of the Register may be shortened by the Issuer from time to time, upon notice thereof to the Noteholders in accordance with Condition 17.

16.4 The Transfer Agent will alter the Register in respect of any change of name, address or bank account number of any of the Noteholders of which it is notified in accordance with Condition 17.

## 17. Notices

17.1 Subject to Condition 17.2, all notices (including all demands or requests under the Terms and Conditions) to the Noteholders will be valid if mailed by registered post or delivered by hand to their addresses appearing in the Register or published in a leading English language daily newspaper of general circulation in South Africa. Each such notice will be deemed to have been given on the day of first publication or delivery by hand or on the 14<sup>th</sup> day after the day on which it is mailed, as the case may be.

17.2 For so long as the Notes are held in their entirety by the Central Securities Depository, there may be substituted for publication as contemplated in clause 17.1. the delivery of the relevant notice to the Central Securities Depository, the Participants and the JSE for communication by them to the holders of Beneficial Interests in the Notes, in accordance with the Applicable Procedures (including on the JSE Stock Exchange News Service).

17.3 Where any provision of the Terms and Conditions requires notice to be given to the Noteholders of any matter other than a meeting of Noteholders, such notice will be given *mutatis mutandis* as set out in Condition 17.1 and Condition 17.2, subject to compliance with any other time periods prescribed in the provision concerned.

17.4 All notices (including all communications, demands and/or requests under the Terms and Conditions) to be given by any Noteholder to the Issuer, the Security SPV or the Transfer Agent, as the case may be, will be in writing and given by delivering the notice, by hand or by registered post, together with a certified copy of the relevant Certificate, to the Specified Office of the Issuer, the Specified Office of the Security SPV or the Specified Office of the Transfer Agent, as the case may be, and marked for the attention of the chief executive officer, with a copy sent by hand or by registered post to the Specified Office of the Manager and marked for the attention of the chief executive officer. Any notice to the Issuer, the Security SPV or the Transfer Agent, as the case may be, will be deemed to have been received by the Issuer, the Security SPV or the Transfer Agent, as the case may be, on the second Business Day after being delivered by hand to the Specified Office of the Issuer, the Security SPV or the Transfer Agent, as the case may be, or on the 14<sup>th</sup> day after the day on which it is mailed by registered post to the Specified Office of the Issuer, the Security SPV or the Transfer Agent, as the case may be.

17.5 Whilst any of the Notes are held in uncertificated form, notices to be given by any holder of a Beneficial Interest to the Issuer shall be given by such holder through such holder's relevant Participant in accordance with the Applicable Procedures.

**18. Amendment of the Terms and Conditions and the Priority of Payments**

- 18.1 Subject to Condition 18.6 the Issuer and the Security SPV may effect, without the consent of any Noteholder, any amendment to the Terms and Conditions, the Priority of Payments, the Guarantee SPV Guarantee, the Security SPV Guarantee and/or the Transaction Documents relating to the Security, the security structure or credit enhancement which is of a technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of South Africa. Any such amendment will be binding on Noteholders and such amendment will be notified to Noteholders in accordance with Condition 17 and to the JSE as soon as practicable thereafter.
- 18.2 The Issuer and the Security SPV may amend the Terms and Conditions, the Priority of Payments, the Guarantee SPV Guarantee, the Security SPV Guarantee and/or the Transaction Documents relating to the Security, the security structure or credit enhancement, by written agreement, subject to the following provisions of this Condition 18.
- 18.3 Subject to Condition 18.1, any amendment to the Terms and Conditions of (i) all of the Noteholders or (ii) a particular Class (or Classes) of Noteholders, as the case may be, may be made only with (i) prior formal approval from the JSE and (ii) the prior authorisation of an Extraordinary Resolution of all of the Noteholders or an Extraordinary Resolution of that Class (or those Classes) of Noteholders, as the case may be.
- 18.4 Accordingly, subject to Condition 18.1, if there is any proposed amendment to the Terms and Conditions of (i) all of the Noteholders or (ii) a particular Class (or Classes) of Noteholders, as the case may be, the Security SPV will call a meeting of all the Noteholders or a meeting of that Class of Noteholders or separate meetings of each of those Classes of Noteholders, as the case may be, once the formal approval of the JSE for such amendment has been obtained. Such meeting or meetings will be regulated by the provisions set out in Condition 22 and no proposed amendment will be made to the Terms and Conditions until such amendment has been approved formally by the JSE first and then by Extraordinary Resolution at such meeting or meetings.
- 18.5 No amendment to the Priority of Payments which amends the rights and/or obligations of a Secured Creditor (other than a Noteholder) may be made without the prior written consent of such Secured Creditor.
- 18.6 No amendment to the Terms and Conditions and/or any of the other Transaction Documents may be made unless (i) the Security SPV grants its prior written approval for such amendment (provided that where Conditions 18.3 and 18.4 are applicable and such consents have been obtained, the prior written approval of the Security SPV shall not be required) and (ii) the JSE grants its approval for such amendment (only in the case of an amendment to the Terms and Conditions, and then only if the amendment is not an amendment contemplated in Condition 18.1 or an amendment to the Security SPV Guarantee) and (iii) the Rating Agency is furnished with at least 5 Business Days prior written notice of the proposed amendment and does not notify the Issuer in writing that the proposed amendment may cause it to downgrade or withdraw its respective current Ratings of Tranches of Notes in issue.
- 18.7 The Eligibility Criteria shall not be amended without the consent of the Noteholders in accordance with paragraph 7.26 of the Debt Listings Requirements (or such provision as may replace paragraph 7.26 of the Debt Listings Requirements from time to time).

**19. Consent of the Security SPV**

- 19.1 Where in any Transaction Document provision is made for the consent to be given by the Security SPV, unless expressly stated otherwise, such consent:
- 19.1.1 may be given (conditionally or unconditionally) or withheld in the discretion of the Security SPV; provided that, in exercising such discretion, the Security SPV shall act in what it reasonably believes to be in the best interests of Secured Creditors and, if (in giving or withholding the consent) the interests of any one category of Secured Creditors conflict with those of another category of Secured Creditors, the Security SPV shall act in what it reasonably believes to be in the interests of the Controlling Class Noteholders (or failing any Noteholders, in the best interests of the category of Secured Creditors ranking highest in the Priority of Payments); and

- 19.1.2 shall be given or withheld within a reasonable period of time and, if not given or withheld within such reasonable period of time, shall be deemed to have been withheld.
- 19.2 Where in any Transaction Document it is provided that the Issuer and/or the Security SPV is required to act, form an opinion, give consent, or exercise a right or discretion "reasonably" or to not act "unreasonably" (collectively "**acted**"), or is constrained by words to similar effect, and any other party disputes that the Issuer or the Security SPV, as the case may be, has acted reasonably or asserts that it has acted unreasonably, then, pending a final resolution of such dispute, all parties (including the party which raised the dispute) shall nevertheless in all respects continue to perform their obligations under the relevant Transaction Document, and/or to give effect to its provisions, including provisions relating to the termination thereof, as if the Issuer or the Security SPV, as the case may be, had acted reasonably or had not acted unreasonably, as the case may be.
- 19.3 Without derogating from any express provision in any Transaction Document and without limiting any of the rights, powers and/or discretions of the Security SPV, the Security SPV will not be required to exercise any right, power or discretion in terms of the Transaction Documents without the specific written instructions of an Extraordinary Resolution of the Controlling Class Noteholders or, if there are no Noteholders, then without the specific written instructions of the Secured Creditors ranking highest in the Priority of Payments at that time.
20. **No voting rights on Notes held by Issuer**
- The Issuer will not have any voting rights on any Notes held by it.
21. **Prescription**
- Any claim for payment of principal and/or interest in respect of the Notes will prescribe 3 years after the date on which such payment first becomes due and payable in accordance with the Priority of Payments.
22. **Meetings of Noteholders**
- 22.1 **Directions of Noteholders**
- 22.1.1 The provisions with regard to meetings of Noteholders are set out in this Condition 22. The provisions of this Condition 22 will apply, *mutatis mutandis*, to each separate meeting of each Class of Noteholders.
- 22.1.2 Every director, the secretary of and the attorney to the Issuer, the Security SPV and every other person authorised in writing by the Issuer or the Security SPV, may attend and speak at a meeting of Noteholders, but will not be entitled to vote, other than as a Noteholder or proxy or duly authorised representative of a Noteholder.
- 22.1.3 Subject to Condition 22.1.5, a meeting of Noteholders will have power, in addition to all powers specifically conferred elsewhere in the Terms and Conditions:
- 22.1.3.1 by Ordinary Resolution of the Controlling Class Noteholders to give instructions to the Security SPV or the Issuer in respect of any matter not covered by the Terms and Conditions or the other Transaction Documents (but without derogating from the powers or discretions expressly conferred upon the Issuer or the Security SPV by the Terms and Conditions or the other Transaction Documents or imposing obligations on the Issuer or the Security SPV not imposed or contemplated by the Terms and Conditions or the other Transaction Documents or otherwise conflicting with or inconsistent with the provisions of the Terms and Conditions and the other Transaction Documents);
- 22.1.3.2 by Extraordinary Resolution:
- 22.1.3.2.1 of the Controlling Class Noteholders to bind all of the Noteholders to any compromise or arrangement; and

22.1.3.2.2 of a particular Class of Noteholders to agree to any variation or modification of any of the rights of that Class of Noteholders.

22.1.4 Unless otherwise specified, resolutions of Noteholders or any Class of Noteholders will require an Ordinary Resolution to be passed. Subject to Condition 18, if there is any conflict between the resolutions passed by any Class of Noteholders, the resolutions passed by the Controlling Class Noteholders will prevail.

22.1.5 The Security SPV will be entitled, before carrying out the directions of Noteholders in terms of this Condition, to require that it be indemnified against all expenses and liability which may be incurred and that it be provided from time to time, so far as the Security SPV may reasonably require, with sufficient monies to enable it to meet the expense of giving effect to such directions.

## 22.2 Convening of meetings

22.2.1 The Security SPV or the Issuer, as the case may be, may at any time convene a meeting of Noteholders or separate meetings of any Class of Noteholders (a “meeting” or the “meeting”).

22.2.2 The Issuer will convene (i) a meeting of Noteholders upon the requisition in writing of Noteholders holding not less than 33% of the aggregate Outstanding Principal Amount of all of the Notes or (ii) a separate meeting of any Class of Noteholders upon the requisition in writing of the Noteholders in that Class holding not less than 33% of the aggregate Outstanding Principal Amount of the Notes held by that Class, as the case may be (a “requisition notice”).

22.2.3 Whenever the Issuer wishes to convene a meeting, it will forthwith give notice in writing to the Noteholders and the Security SPV in the manner prescribed in Condition 17 of the place, day and hour of the meeting, the nature of the business to be transacted at the meeting and the resolutions to be proposed and considered at the meeting.

22.2.4 Whenever the Security SPV wishes or is obliged to convene a meeting it will forthwith give notice in writing to the Noteholders and the Issuer in the manner prescribed in Condition 17, of the place, day and hour of the meeting, the nature of the business to be transacted at the meeting and the resolutions to be proposed and considered at the meeting.

22.2.5 All meetings of Noteholders will be held in Johannesburg.

## 22.3 Requisition

22.3.1 A requisition notice will state the nature of the business for which the meeting is to be held and the resolutions to be proposed and considered at the meeting and will be deposited at the Specified Office of the Issuer.

22.3.2 A requisition notice may consist of several documents in like form, each signed by one or more requisitionists.

## 22.4 Convening of meetings by requisitionists

If the Issuer or the Security SPV, as the case may be, does not convene a meeting to be held within 30 days of the deposit of a requisition notice, the requisitionists may themselves convene the meeting, but the meeting so convened will be held within 90 days from the date of such deposit and will be convened as nearly as possible in the same manner as that in which meetings may be convened by the Security SPV. Whenever the requisitionists are about to so convene any such meeting, requisitionists shall forthwith give notice of the meeting to the Issuer and the Security SPV.

## 22.5 Notice of meeting

22.5.1 Unless the holders of at least 90% of the aggregate Outstanding Principal Amount of the Notes or Class of Notes, as the case may be, agree in writing to a shorter period, at least 21 days' written notice, specifying the place, day and time of the meeting, the nature of the business for which the meeting is to be held and the



resolutions to be proposed and considered at the meeting, will be given to each Noteholder and to the Issuer or the Security SPV, as the case may be.

22.5.2 The accidental omission to give such notice to any Noteholder or the Security SPV or the Issuer, as the case may be, or the non-receipt of any such notice, will not invalidate the proceedings at a meeting.

## 22.6 Quorum

22.6.1 A quorum at a meeting shall:

22.6.1.1 for the purposes of considering an Ordinary Resolution, consist of Noteholders present in person or by proxy and holding in the aggregate not less than 50% of the aggregate Outstanding Principal Amount of the Notes or Class of Notes, as the case may be;

22.6.1.2 for the purposes of considering an Extraordinary Resolution, consist of Noteholders present in person or by proxy and holding in the aggregate not less than 66.67% of the aggregate Outstanding Principal Amount of the Notes or Class of Notes, as the case may be.

22.6.2 No business will be transacted at a meeting of the Noteholders unless a quorum is present at the time when the meeting proceeds to business.

22.6.3 If, within 15 minutes from the time appointed for the meeting, a quorum is not present, the meeting will, if it was convened on the requisition of Noteholders, be dissolved. In every other case the meeting will stand adjourned to the same day in the third week thereafter, at the same time and place, or if that day is not a Business Day, the next succeeding Business Day. If at such adjourned meeting a quorum is not present the Noteholders present in person or by proxy will constitute a quorum for the purpose of considering any resolution, including an Extraordinary Resolution.

## 22.7 Chairman

The Security SPV or its representative will preside as chairman at a meeting. If the Security SPV or its representative is not present within 10 minutes of the time appointed for the holding of the meeting, the Noteholders then present will choose one of their own number to preside as chairman.

## 22.8 Adjournment

22.8.1 Subject to the provisions of this Condition 22, the chairman may, with the consent of, and will on the direction of, the meeting adjourn the meeting from time to time and from place to place.

22.8.2 No business will be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

22.8.3 At least 14 days' written notice of the place, day and time of an adjourned meeting will be given by the Security SPV to each Noteholder and the Issuer. In the case of a meeting adjourned in terms of Condition 22.6.3, the notice will state that the Noteholders present in person or by proxy at the adjourned meeting will constitute a quorum.

## 22.9 How questions are decided

22.9.1 At a meeting, a resolution put to the vote will be decided on a poll.

22.9.2 In the case of an equality of votes, the chairman will not be entitled to a casting vote in addition to the vote, if any, to which he is entitled.

22.10 **Votes**

Voting shall only take place on a poll and not on a show of hands. On a poll every Noteholder, present in person or by proxy, will be entitled to that proportion of the total votes which the aggregate Outstanding Principal Amount of the Notes held by such Noteholder bears to the aggregate Outstanding Principal Amount of all of the Notes or Class of Notes, as the case may be held by the Noteholders present in person or by proxy at the meeting. In relation to joint Noteholders, the vote may be exercised only by that Noteholder whose name appears first on the Register in the event that more than one of such Noteholders is present, in person or by proxy, at the meeting.

22.11 **Proxies and representatives**

22.11.1 Noteholders present either in person or by proxy may vote on a poll. A Noteholder may by an instrument in writing (a “**proxy form**”) signed by the Noteholder (or his duly authorised agent) or, in the case of a juristic person, signed on its behalf by a duly authorised officer of the juristic person, appoint any person (a “**proxy**” or “**proxies**”) to act on his or its behalf in connection with any meeting or proposed meeting.

22.11.2 A person appointed to act as proxy need not be a Noteholder.

22.11.3 The proxy form will be deposited at the Specified Office of the Issuer or at the Specified Office of the Transfer Agent, as the case may be, at any time before the proxy exercises the rights of the Noteholder at the meeting or adjourned meeting at which the person named in such proxy proposes to vote.

22.11.4 No proxy form will be valid after the expiration of 6 months from the date named in it as the date of its execution.

22.11.5 Notwithstanding Condition 22.11.4, a proxy form will be valid for any adjourned meeting, unless the contrary is stated thereon.

22.11.6 A vote given in accordance with the terms of a proxy form will be valid notwithstanding the previous death or incapacity of the principal or revocation or amendment of the proxy form or of any of the Noteholder’s instructions pursuant to which the proxy form was executed or of the authority under which the proxy form was executed or the transfer of Notes in respect of which the proxy was given, provided that no intimation in writing of such death, incapacity, revocation or amendment shall have been received by the Issuer at its Specified Office or the Transfer Agent at its Specified Office, as the case may be, more than, and that the transfer has been given effect to less than, 12 hours before the commencement of the meeting or adjourned meeting at which the proxy is to be used.

22.11.7 Any Noteholder which is a juristic person may authorise any person to act as its representative in connection with any meeting or proposed meeting of Noteholders by resolution of the directors or other governing body of the juristic person. Any reference in the Terms and Conditions to a Noteholder present in person includes the duly authorised representative of a Noteholder which is a juristic person.

22.12 **Minutes**

22.12.1 The Security SPV will cause minutes of all resolutions and proceedings of meetings to be duly entered in books to be provided by the Issuer for that purpose.

22.12.2 Any such minutes as aforesaid, if purporting to be signed by the chairman of the meeting at which such resolutions were passed or proceedings held or by the chairman of the next succeeding meeting, will be receivable in evidence without any further proof, and until the contrary is proved, a meeting of Noteholders or Class of Noteholders, as the case may be, in respect of the proceedings of which minutes have been so made will be deemed to have been duly held and convened and all resolutions passed thereat, or proceedings held, to have been duly passed and held.

22.13 **Written Resolutions**

A resolution in writing signed by the requisite majority of Noteholders or Class of Noteholders, as the case may be, shall be as valid and effective as if it had been passed at a meeting duly convened and constituted and shall be deemed (unless a statement to the contrary is made in that resolution) to have been passed on the last day on which that resolution is signed by any one or more of the Noteholders, as the case may be. That resolution may consist of two or more documents in the same form each of which is signed by one or more of the Noteholders, as the case may be.

23. **Calculation Agent and Transfer Agent**

23.1 The Issuer is entitled to vary or terminate the appointment of the Calculation Agent and/or the Transfer Agent and/or to appoint additional or other agents.

23.2 There will at all times be a Calculation Agent and a Transfer Agent with a Specified Office. The Transfer Agent and the Calculation Agent act solely as the agents of the Issuer and do not assume any obligation towards or relationship of agency or trust for or with any Noteholders.

24. **Governing law**

The Notes and the Terms and Conditions are governed by, and will be construed in accordance with, the laws of South Africa.

25. **Multiple roles**

The Noteholders acknowledge and agree that Absa acts in a number of different capacities in relation to the transactions envisaged in the Transaction Documents. Notwithstanding such different roles:

25.1 Absa and any of its officers, directors and employees may become the owner of, or acquire any interest in, any Notes with the same rights that it or he would have had if it or he had not been a party to a Transaction Document, and may engage or be interested in any financial or other transaction with the Issuer, provided it is a transaction disclosed in any Transaction Document, and may act on, or as depository for, any committee or body of Noteholders in connection with any other obligation of the Issuer as freely as if it or he had not so been a party to any Transaction Document;

25.2 information, knowledge or notification obtained by Absa in any one such capacity shall not be attributed to it, whether constructively or otherwise, in any other capacity; and

25.3 any payments made by the Issuer in accordance with the Transaction Documents to Absa in one capacity shall be construed as a payment to Absa only in such capacity and not in any other capacity.

26. **Rating Agency**

26.1 It is agreed and acknowledged that a credit rating is an assessment of credit and does not address other matters that may be of relevance to the Noteholders, including, without limitation, in the case of a rating confirmation, whether an event or amendment (i) is permitted by the terms of the relevant Transaction Document or (ii) is in the best interests of, or prejudicial to, some or all of the Noteholders. In being entitled to have regard to the fact that the Rating Agency, upon written request by the Issuer, has confirmed that the respective current Ratings of the Notes in issue would not be adversely affected, it is expressly agreed and acknowledged by each of the Security SPV, the Noteholders and the other Secured Creditors that the above does not impose or extend any actual or contingent liability for the Rating Agency to the Security SPV, the Noteholders, the other Secured Creditors or any other person or create any legal relations between the Rating Agency and the Security SPV, the Noteholders, the other Secured Creditors or any other person whether by way of contract or otherwise.

26.2 Such confirmation may or may not be given at the sole discretion of the Rating Agency. Depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that the Rating Agency cannot provide rating confirmation in the time available or at all, and would not be responsible for the

consequences thereof. Confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time, and in the context of cumulative changes to the transaction of which the securities form part since the issuance closing date. A rating confirmation represents only a restatement of the opinions given, and cannot be construed as advice for the benefit of any parties to the transaction.

**USE OF PROCEEDS**

1. The Issuer shall use the net proceeds of the Notes as operating capital primarily to:
  - 1.1 pay the consideration for the Home Loans acquired from time to time in terms of the Home Loan Sale Agreement;
  - 1.2 redeem outstanding Notes and repay Subordinated Loans; and
  - 1.3 as may otherwise be described in the Applicable Pricing Supplement.

**SECURITY**

1. The Notes will be obligations of the Issuer only.
2. The Management Agreement sets out the Pre-Enforcement Priority of Payments applicable during the Revolving Period in accordance with which creditors of the Issuer (including the Noteholders and other Secured Creditors) will be paid during the Revolving Period and prior to the delivery of an Enforcement Notice and the Pre-Enforcement Priority of Payments applicable during the Amortisation Period in accordance with which creditors of the Issuer (including the Noteholders and other Secured Creditors) will be paid during the Amortisation Period and prior to the delivery of an Enforcement Notice. The Management Agreement also sets out the Post-Enforcement Priority of Payments applicable on and after the delivery of an Enforcement Notice. Amounts payable at any time to any Secured Creditor that ranks after other creditors (including Secured Creditors) in the Priority of Payments, will only be paid to the extent that there are available funds at such time after payment has been made in full to those creditors (including Secured Creditors) that rank higher in the Priority of Payments.
3. Nqaba Finance 1 Security SPV (RF) (Proprietary) Limited (a company with limited liability registered and incorporated in accordance with the laws of South Africa under registration number 2005/036141/07) (the "**Security SPV**") has executed the Security SPV Guarantee in favour of each Secured Creditor. Mr Clive Beaver, then in his capacity as the erstwhile sole director of the Security SPV, executed the Security SPV Guarantee on behalf of the Security SPV. The current sole director of the Security SPV is Mr Jesse Carberry.
4. In terms of the Security SPV Guarantee, with effect from the signature date of the Security SPV (being 13 April 2006), the Security SPV undertakes in favour of each Secured Creditor to pay to each Secured Creditor, subject to the Security SPV Guarantee, the full amount then due and payable to each Secured Creditor by the Issuer in terms of the relevant Transaction Document, if an Event of Default should occur under the Notes or under the respective Transaction Documents. The Security SPV Guarantee is unconditional. Payment to Secured Creditors by the Security SPV in accordance with the provisions of the Security SPV Guarantee, is not subject to receipt by the Security SPV of a written request by the Secured Creditors, but is subject to the Guarantee Conditions (as defined in the Security SPV Guarantee) and the occurrence of a Guarantee Event (as defined in the Security SPV Guarantee). The Security SPV is not entitled to revoke the Security SPV Guarantee before the obligations of the Issuer to the Secured Creditors in terms of the Transaction Documents have been finally, unconditionally and irrevocably extinguished.
5. The liability of the Security SPV pursuant to the Security SPV Guarantee is, however, limited in the aggregate to the net amount recovered by the Security SPV from the Issuer pursuant to the Issuer Indemnity and from the property realised pursuant to the other Security Agreements.
6. Payment of amounts due by the Security SPV pursuant to the Security SPV Guarantee will be made strictly in accordance with the Pre-Enforcement Priority of Payments applicable during the Revolving Period during the Revolving Period and prior to delivery of an Enforcement Notice, the Pre-Enforcement Priority of Payments applicable during the Amortisation Period during the Amortisation Period and prior to delivery of an Enforcement Notice and the Post-Enforcement Priority of Payments after delivery of an Enforcement Notice, as the case may be.
7. In terms of a letter dated on or about 13 April 2006, Absa, in its capacity as Manager, has undertaken in favour of each of the Secured Creditors to receive and hold in custody the original signed Security SPV Guarantee until termination of the Security SPV Guarantee or termination of Absa's appointment as Manager, as the case may be.
8. The Issuer indemnifies the Security SPV, in terms of the Issuer Indemnity, in respect of claims made against it arising out of the Security SPV Guarantee. The obligations of the Issuer in terms of the Issuer Indemnity are, in terms of the Security Cessions, secured by a cession and pledge of the assets of the Issuer in favour of the Security SPV. In addition, in terms of the Owner Trust Suretyship, the Owner Trustee has bound itself as surety in favour of the Security SPV for the obligations of the Issuer in terms of the Issuer Indemnity, limited to the realised value of the issued Ordinary Shares in the Issuer. The Owner Trustee's obligations under the Owner Trust Suretyship are, in terms of the Pledge, secured by a cession and pledge, in favour of the Security SPV, of all of the issued Ordinary Shares in the Issuer.

9. Each Class of Notes will share the same security but in the event of the delivery of an Enforcement Notice the Notes will rank in reducing order of rank, determined by the respective Classes of such Notes, as set out in the Post-Enforcement Priority of Payments.
10. The Security SPV has not taken or obtained any independent legal or other advice or opinions in relation to the Issuer or any other persons or any of the Transaction Documents (including the Security Agreements) or any other document and the Security SPV has not taken or obtained any independent legal or other advice or opinions in relation to any of the transactions contemplated by any of the Transaction Documents or any other document.
11. The Security SPV was incorporated as a ring-fenced, insolvency remote vehicle on 10 October 2005 with the main purpose of, among other things, issuing the Security SPV Guarantee, entering into the Transaction Documents and exercising its rights and performing its obligations in terms of the Transaction Documents. The registered office of the Security SPV is situated at 18 Fricker Road, Illovo Boulevard, Illovo, 2196.

## PRIORITY OF PAYMENTS

### 1. Pre-Enforcement Priority of Payments during the Revolving Period

- 1.1 The available funds in the Transaction Account on each Determination Date during the Revolving Period will be applied on each Payment Date in the order of priority set out below. The amount available for distribution and the purpose to which funds from different sources may be applied, shall be determined in accordance with the provisions set out in the section of the Programme Memorandum headed "*Structural Features*" and "*Use of Proceeds*". The amounts paid or provided for in any financial year of the Issuer in respect of item 2 below, shall be up to a maximum of the Issuer Expense Cap:
- 1.1.1 first, to pay or provide for the Issuer's liability or potential liability for Tax;
- 1.1.2 second, to pay or provide for *pari passu* and *pro rata*:
- 1.1.2.1 the remuneration due and payable to the Security SPV and/or the Security SPV Owner Trustee (inclusive of VAT, if any) and any fees, costs, charges, liabilities and expenses (inclusive of VAT, if any) incurred by the Security SPV and/or the Security SPV Owner Trustee under the provisions of the Security Agreements and/or any of the Transaction Documents and/or the Notes;
- 1.1.2.2 the remuneration due and payable to the Owner Trustee (inclusive of VAT, if any) and any fees, costs, charges, liabilities and expenses (inclusive of VAT, if any) incurred by such trustee under the provisions of the Owner Trust Deed, the Security Agreements and/or any of the Transaction Documents and/or the Notes;
- 1.1.2.3 all fees, costs, charges, liabilities and expenses (inclusive of VAT, if any) incurred by the Issuer, which are due and payable to third parties and incurred without breach by the Issuer of its obligations under the Transaction Documents and not provided for payment elsewhere (including payment of the Rating Agency, the Dealers, the Safe Custody Agent, the Transfer Agent, the GIC Provider, the Manager, the Back-Up Servicer, the JSE, audit fees, legal fees, the directors of the Issuer, company secretarial expenses and any fees, premiums or commissions due upon the execution of any Derivative Contract);
- 1.1.2.4 the fee due and payable to the Servicer on such Payment Date (inclusive of VAT, if any) together with costs and expenses which are due and payable to the Servicer under the Servicing Agreement on such Payment Date;
- 1.1.3 third, to pay or provide for *pari passu* and *pro rata* any net settlement amounts and Derivative Termination Amounts due and payable to any Derivative Counterparty in accordance with the Derivative Contracts (but excluding any Derivative Termination Amounts where the Derivative Counterparty is in default);
- 1.1.4 fourth, to pay or provide for any fees, interest and capital amounts due and payable to the Liquidity Facility Provider in accordance with the provisions of the Liquidity Facility Agreement;
- 1.1.5 fifth, to pay or provide for any fees and interest due and payable to the Redraw Facility Provider in accordance with the provisions of the Redraw Facility Agreement;
- 1.1.6 sixth, to pay or provide for interest due and payable in respect of each Class of Notes (other than the Class E Notes), in descending order of rank and with Notes of equal rank being paid *pari passu*, until the interest due and payable in respect of each such Class of Notes has been paid in full; it being recorded that no payment of interest shall be made to Noteholders of a Class of Notes until such time as interest due and payable in respect of all Classes having a higher rank have been paid in full; provided that:



- 1.1.6.1 if there is a Class B Interest Deferral Event, interest which is due and payable on the Class B Notes and on all other Classes of Notes subordinated to the Class B Notes shall be deferred until such Class B Interest Deferral Event no longer exists; or
- 1.1.6.2 if there is a Class C Interest Deferral Event, interest which is due and payable on the Class C Notes and on all other Classes of Notes subordinated to the Class C Notes shall be deferred until such Class C Interest Deferral Event no longer exists; or
- 1.1.6.3 if there is a Class D Interest Deferral Event, interest which is due and payable on the Class D Notes and on all other Classes of Notes subordinated to the Class D Notes shall be deferred until such Class D Interest Deferral Event no longer exists;
- 1.1.7 seventh, after the Initial Issue Date only, to pay into the Arrears Reserve the amount required to credit the Arrears Reserve up to the Arrears Reserve Required Amount (using funds other than Principal Collections), provided that no Interest Deferral Event has occurred which remains in effect;
- 1.1.8 eighth, to pay or provide for any capital amounts due and payable to the Redraw Facility Provider in accordance with the provisions of the Redraw Facility Agreement;
- 1.1.9 ninth, to pay and provide for the Outstanding Principal Amount of each Class of Maturity Notes (other than the Class E Notes), in descending order of rank and with Maturity Notes of equal rank being paid *pari passu*, until the Outstanding Principal Amount in respect of each such Class of Maturity Notes has been redeemed in full; it being recorded that no payment of any Outstanding Principal Amount shall be made to Noteholders of a Class of Maturity Notes until such time as the Outstanding Principal Amounts of all Classes of Maturity Notes having a higher rank have been paid in full; provided that:
- 1.1.9.1 if there is a Class B Interest Deferral Event, once the Maturity Class A Notes have been redeemed in an amount that reduces the Principal Deficiency to an extent that such Class B Interest Deferral Event no longer exists, any balance of the amount allocated to this item in the Priority of Payments (ie redemption of the Notes) shall not be applied in redeeming the other Notes but shall be re-allocated for application in accordance with the Priority of Payments, commencing at item 6;
- 1.1.9.2 if there is a Class C Interest Deferral Event, once the Maturity Class A Notes and the Maturity Class B Notes have been redeemed in an amount that reduces the Principal Deficiency to an extent that such Class C Interest Deferral Event no longer exists, any balance of the amount allocated to this item in the Priority of Payments (ie redemption of the Notes) shall not be applied in redeeming the other Notes but shall be re-allocated for application in accordance with the Priority of Payments, commencing at item 6;
- 1.1.9.3 if there is a Class D Interest Deferral Event, once the Maturity Class A Notes, the Maturity Class B Notes and the Maturity Class C Notes have been redeemed in an amount that reduces the Principal Deficiency to an extent that such Class D Interest Deferral Event no longer exists, any balance of the amount allocated to this item in the Priority of Payments (ie redemption of the Notes) shall not be applied in redeeming the other Notes but shall be re-allocated for application in accordance with the Priority of Payments, commencing at item 6;
- 1.1.10 tenth:
- 1.1.10.1 first, to pay amounts owing by the Issuer to the Seller in respect of the purchase consideration for the Transitional Home Loans; and
- 1.1.10.2 second, up to an amount equal to the Potential Purchase Amount less amounts applied in accordance with item 8 above, to pay or provide for the consideration payable for the acquisition of Additional Home Loans in accordance with the provisions of the Home Loan Sale Agreement;

- 1.1.11 eleventh, up to an amount equal to the Potential Purchase Amount less amounts applied in accordance with items 8 and 10 above, in the event that there are no or insufficient Additional Home Loans offered to the Issuer for purchase or if any conditions to such purchase are not satisfied, to pay into the Purchases Reserve an amount such that the balance on the Purchases Reserve does not exceed the Purchases Reserve Cap;
- 1.1.12 twelfth, up to an amount equal to the Potential Purchase Amount less amounts applied in accordance with items 8, 10 and 11 above, to pay or provide for all other amounts due and payable in respect of each Class of Notes (other than the Class E Notes), in descending order of rank and with Notes of equal rank being paid *pari passu*, until all such other amounts due and payable in respect of each such Class of Notes have been paid in full; it being recorded that no payment of any such other amounts shall be paid to Noteholders of a Class of Notes until such time as the amounts due and payable in respect of all Classes of Notes having a higher rank have been paid in full;
- 1.1.13 thirteenth, to pay or provide for *pari passu* and *pro rata* the Derivative Termination Amounts due and payable to any Derivative Counterparty under the Derivative Contracts where the Derivative Counterparty is in default;
- 1.1.14 fourteenth, to pay or provide for any expenses referred to in item 2 in excess of the Issuer Expense Cap;
- 1.1.15 fifteenth, to pay or provide for interest due and payable in respect of the Class E Notes, until the interest due and payable in respect of such Class of Notes has been paid in full;
- 1.1.16 sixteenth, to pay or provide for any interest amounts due and payable to the Subordinated Lender in accordance with the provisions of the Subordinated Loan Agreement;
- 1.1.17 seventeenth, to pay or provide for capital due and payable in respect of the Matured Class E Notes, until the capital due and payable in respect of such Class of Notes has been paid in full; provided that the Rating Agency, upon written request by the Issuer, confirms in writing that such repayment will not adversely affect the respective current Rating(s) of the Tranches of Notes in issue;
- 1.1.18 eighteenth, to pay or provide for capital due and payable in respect of the Class E Notes, until the capital due and payable in respect of such Class of Notes has been paid in full; provided that the Rating Agency, upon written request by the Issuer, confirms in writing that such repayment will not adversely affect the respective current Rating(s) of the Tranches of Notes in issue;
- 1.1.19 nineteenth, to pay or provide for the dividend due and payable to the Preference Shareholder; and
- 1.1.20 twentieth, while any amounts (whether actual or contingent) are outstanding to Secured Creditors, the surplus, if any, to be invested in Permitted Investments and, only once all the obligations (whether contingent or otherwise) to Secured Creditors have been discharged in full, to pay the surplus, if any, to the ordinary shareholders of the Issuer.

## 2. Pre-Enforcement Priority of Payments during the Amortisation Period

- 2.1 The available funds in the Transaction Account on each Determination Date during the Amortisation Period will be applied on each Payment Date in the order of priority set out below. The amount available for distribution and the purpose to which funds from different sources may be applied, shall be determined in accordance with the provisions set out in the section of the Programme Memorandum headed "*Structural Features*" and "*Use of Proceeds*". The amounts paid or provided for in any financial year of the Issuer in respect of item 2 below, shall be up to a maximum of the Issuer Expense Cap:
- 2.1.1 first, to pay or provide for the Issuer's liability or potential liability for Tax;
- 2.1.2 second, to pay or provide for *pari passu* and *pro rata*:

- 2.1.2.1 the remuneration due and payable to the Security SPV and/or the Security SPV Owner Trustee (inclusive of VAT, if any) and any fees, costs, charges, liabilities and expenses (inclusive of VAT, if any) incurred by the Security SPV and/or the Security SPV Owner Trustee under the provisions of the Security Agreements and/or any of the Transaction Documents and/or the Notes;
- 2.1.2.2 the remuneration due and payable to the Owner Trustee (inclusive of VAT, if any) and any fees, costs, charges, liabilities and expenses (inclusive of VAT, if any) incurred by such trustee under the provisions of the Owner Trust Deed, the Security Agreements and/or any of the Transaction Documents and/or the Notes;
- 2.1.2.3 all fees, costs, charges, liabilities and expenses (inclusive of VAT, if any) incurred by the Issuer, which are due and payable to third parties and incurred without breach by the Issuer of its obligations under the Transaction Documents and not provided for payment elsewhere (including payment of the Rating Agency, the Dealers, the Safe Custody Agent, the Transfer Agent, the GIC Provider, the Manager, the Back-Up Servicer, the JSE, audit fees, legal fees, the directors of the Issuer, company secretarial expenses and any fees, premiums or commissions due upon the execution of any Derivative Contract);
- 2.1.2.4 the fee due and payable to the Servicer on such Payment Date (inclusive of VAT, if any) together with costs and expenses which are due and payable to the Servicer under the Servicing Agreement on such Payment Date;
- 2.1.3 third, to pay or provide for *pari passu* and *pro rata* any net settlement amounts and Derivative Termination Amounts due and payable to any Derivative Counterparty in accordance with the Derivative Contracts (but excluding any Derivative Termination Amounts where the Derivative Counterparty is in default);
- 2.1.4 fourth, to pay or provide for any fees, interest and capital amounts due and payable to the Liquidity Facility Provider in accordance with the provisions of the Liquidity Facility Agreement;
- 2.1.5 fifth, to pay or provide for any fees and interest due and payable to the Redraw Facility Provider in accordance with the provisions of the Redraw Facility Agreement;
- 2.1.6 sixth, to pay or provide for interest due and payable in respect of each Class of Notes (other than the Class E Notes), in descending order of rank and with Notes of equal rank being paid *pari passu*, until the interest due and payable in respect of each such Class of Notes has been paid in full; it being recorded that no payment of interest shall be made to Noteholders of a Class of Notes until such time as interest due and payable in respect of all Classes having a higher rank have been paid in full; provided that:
- 2.1.6.1 if there is a Class B Interest Deferral Event, interest which is due and payable on the Class B Notes and on all other Classes of Notes subordinated to the Class B Notes shall be deferred until such Class B Interest Deferral Event no longer exists; or
- 2.1.6.2 if there is a Class C Interest Deferral Event, interest which is due and payable on the Class C Notes and on all other Classes of Notes subordinated to the Class C Notes shall be deferred until such Class C Interest Deferral Event no longer exists; or
- 2.1.6.3 if there is a Class D Interest Deferral Event, interest which is due and payable on the Class D Notes and on all other Classes of Notes subordinated to the Class D Notes shall be deferred until such Class D Interest Deferral Event no longer exists;
- 2.1.7 seventh, to pay or provide for any capital amounts due and payable to the Redraw Facility Provider in accordance with the provisions of the Redraw Facility Agreement;
- 2.1.8 eighth, to pay or provide for all other amounts due and payable in respect of each Class of Notes (other than the Class E Notes), in descending order of rank and with Notes of equal rank being paid *pari passu*, until all such

other amounts due and payable in respect of each such Class of Notes have been paid in full; it being recorded that no payment of any such other amounts shall be paid to Noteholders of a Class of Notes until such time as the amounts due and payable in respect of all Classes of Notes having a higher rank have been paid in full; provided that:

- 2.1.8.1 if there is a Class B Interest Deferral Event, once the Class A Notes have been redeemed in an amount that reduces the Principal Deficiency to an extent that such Class B Interest Deferral Event no longer exists, any balance of the amount allocated to this item in the Priority of Payments (ie redemption of the Notes) shall not be applied in redeeming the other Notes but shall be re-allocated for application in accordance with the Priority of Payments, commencing at item 6;
- 2.1.8.2 if there is a Class C Interest Deferral Event, once the Class A Notes and the Class B Notes have been redeemed in an amount that reduces the Principal Deficiency to an extent that such Class C Interest Deferral Event no longer exists, any balance of the amount allocated to this item in the Priority of Payments (ie redemption of the Notes) shall not be applied in redeeming the other Notes but shall be re-allocated for application in accordance with the Priority of Payments, commencing at item 6;
- 2.1.8.3 if there is a Class D Interest Deferral Event, once the Class A Notes, the Class B Notes and the Class C Notes have been redeemed in an amount that reduces the Principal Deficiency to an extent that such Class D Interest Deferral Event no longer exists, any balance of the amount allocated to this item in the Priority of Payments (ie redemption of the Notes) shall not be applied in redeeming the other Notes but shall be re-allocated for application in accordance with the Priority of Payments, commencing at item 6;
- 2.1.9 ninth, to pay amounts owing by the Issuer to the Seller in respect of the purchase consideration for the Transitional Home Loans;
- 2.1.10 tenth, to pay or provide for interest due and payable in respect of the Class E Notes, until the interest due and payable in respect of such Class of Notes has been paid in full;
- 2.1.11 eleventh, to pay or provide for capital due and payable in respect of the Class E Notes, until the capital due and payable in respect of such Class of Notes has been paid in full;
- 2.1.12 twelfth, to pay or provide for any interest amounts due and payable to the Subordinated Lender in accordance with the provisions of the Subordinated Loan Agreement;
- 2.1.13 thirteenth, to pay or provide for *pari passu* and *pro rata* the Derivative Termination Amounts due and payable to any Derivative Counterparty under the Derivative Contracts where the Derivative Counterparty is in default;
- 2.1.14 fourteenth, to pay or provide for any expenses referred to in item 2 in excess of the Issuer Expense Cap;
- 2.1.15 fifteenth, to pay or provide for any capital amounts due and payable to the Subordinated Lender in accordance with the provisions of the Subordinated Loan Agreement;
- 2.1.16 sixteenth, to pay or provide for the dividend due and payable to the Preference Shareholder; and
- 2.1.17 seventeenth, while any amounts (whether actual or contingent) are outstanding to Secured Creditors, the surplus, if any, to be invested in Permitted Investments and, only once all the obligations (whether contingent or otherwise) to Secured Creditors have been discharged in full, to pay the surplus, if any, to the ordinary shareholders of the Issuer.

### 3. Post-Enforcement Priority of Payments

- 3.1 The available funds in the Transaction Account on each Determination Date after the delivery of an Enforcement Notice will be applied on each Payment Date in the order of priority set out below. The amount

available for distribution and the purpose to which funds from different sources may be applied, shall be determined in accordance with the provisions set out in the section of the Programme Memorandum headed "*Structural Features*" and "*Use of Proceeds*". The amounts paid or provided for in any financial year of the Issuer in respect of item 2 below, shall be up to a maximum of the Issuer Expense Cap:

- 3.1.1 first, to pay or provide for the Issuer's liability or potential liability for Tax;
- 3.1.2 second, to pay or provide for *pari passu* and *pro rata*:
  - 3.1.2.1 the remuneration due and payable to the Security SPV and/or the Security SPV Owner Trustee (inclusive of VAT, if any) and any fees, costs, charges, liabilities and expenses (inclusive of VAT, if any) incurred by the Security SPV and/or the Security SPV Owner Trustee under the provisions of the Security Agreements and/or any of the Transaction Documents and/or the Notes;
  - 3.1.2.2 the remuneration due and payable to the Owner Trustee (inclusive of VAT, if any) and any fees, costs, charges, liabilities and expenses (inclusive of VAT, if any) incurred by such trustee under the provisions of the Owner Trust Deed, the Security Agreements and/or any of the Transaction Documents and/or the Notes;
  - 3.1.2.3 all fees, costs, charges, liabilities and expenses (inclusive of VAT, if any) incurred by the Issuer, which are due and payable to third parties and incurred without breach by the Issuer of its obligations under the Transaction Documents and not provided for payment elsewhere (including payment of the Rating Agency, the Dealers, the Safe Custody Agent, the Transfer Agent, the GIC Provider, the Manager, the Back-Up Servicer, the JSE, audit fees, legal fees, the directors of the Issuer, company secretarial expenses and any fees, premiums or commissions due upon the execution of any Derivative Contract);
  - 3.1.2.4 the fee due and payable to the Servicer on such Payment Date (inclusive of VAT, if any) together with costs and expenses which are due and payable to the Servicer under the Servicing Agreement on such Payment Date;
- 3.1.3 third, to pay or provide for *pari passu* and *pro rata* any net settlement amounts and Derivative Termination Amounts due and payable to any Derivative Counterparty in accordance with the Derivative Contracts (but excluding any Derivative Termination Amounts where the Derivative Counterparty is in default);
- 3.1.4 fourth, to pay or provide for *pari passu* and *pro rata*:
  - 3.1.4.1 any fees, interest and capital amounts due and payable to the Liquidity Facility Provider in accordance with the provisions of the Liquidity Facility Agreement; and
  - 3.1.4.2 any fees, interest and principal due and payable to the Redraw Facility Provider in accordance with the provisions of the Redraw Facility Agreement;
- 3.1.5 fifth, to pay or provide for interest due and payable in respect of each Class of Notes (other than the Class E Notes), in descending order of rank and with Notes of equal rank being paid *pari passu*, until the interest due and payable in respect of each such Class of Notes has been paid in full; it being recorded that no payment of interest shall be made to Noteholders of a Class of Notes until such time as interest due and payable in respect of all Classes having a higher rank have been paid in full;
- 3.1.6 sixth, to pay or provide for all other amounts due and payable in respect of each Class of Notes (other than the Class E Notes), in descending order of rank and with Notes of equal rank being paid *pari passu*, until all such other amounts due and payable in respect of each such Class of Notes have been paid in full; it being recorded that no payment of any such other amounts shall be paid to Noteholders of a Class of Notes until such time as the amounts due and payable in respect of all Classes of Notes having a higher rank have been paid in full;

- 3.1.7 seventh, to pay amounts owing by the Issuer to the Seller in respect of the purchase consideration for the Transitional Home Loans;
- 3.1.8 eighth, to pay or provide for interest and capital due and payable in respect of the Class E Notes, until the interest and capital due and payable in respect of such Class of Notes has been paid in full;
- 3.1.9 ninth, to pay or provide for any interest due and payable to the Subordinated Lender in accordance with the provisions of the Subordinated Loan Agreement;
- 3.1.10 tenth, to pay or provide for *pari passu* and *pro rata* the Derivative Termination Amounts due and payable to any Derivative Counterparty under the Derivative Contracts where the Derivative Counterparty is in default;
- 3.1.11 eleventh, to pay or provide for any expenses referred to in item 2 in excess of the Issuer Expense Cap;
- 3.1.12 twelfth, to pay or provide for any capital amounts due and payable to the Subordinated Lender in accordance with the provisions of the Subordinated Loan Agreement;
- 3.1.13 thirteenth, to pay or provide for the dividend due and payable to the Preference Shareholder; and
- 3.1.14 fourteenth, while any amounts (whether actual or contingent) are outstanding to Secured Creditors, the surplus, if any, to be invested in Permitted Investments and, only once all the obligations (whether contingent or otherwise) to Secured Creditors have been discharged in full, to pay the surplus, if any, to the ordinary shareholders of the Issuer.

#### 4. **General**

- 4.1 In respect of each Priority of Payments, the monies available for distribution shall, after making payment of or providing for Excluded Items, be applied in making payments or provisions in accordance with the relevant Priority of Payments, on the basis that a Secured Creditor which ranks subsequent to any other creditors in the relevant Priority of Payments will not be paid unless and until all the creditors which rank prior to it in the relevant Priority of Payments have been paid all of the amounts then due and payable to them by the Issuer or amounts accrued up to the relevant Payment Date, but not yet payable, have been provided for (by setting aside cash for this purpose in the Transaction Account).
- 4.2 The Excluded Items shall be paid when such amounts are due and payable.

## **THE SERVICER'S CREDIT OPERATIONS**

The Servicer is Eskom Finance Company SOC Ltd, a state owned company with limited liability registered and incorporated in accordance with the laws of South Africa under registration number 1990/001322/07. The registered address of Eskom Finance Company SOC Ltd is situated at Megawatt Park, Maxwell Drive, Sunninghill, 2157. The main business of Eskom Finance Company SOC Ltd is to provide finance for the purchase of movable and immovable property and for any other lawful purpose.

### **Origination Process**

The Servicer originates home loans on a national basis through 22 offices. The origination is processed and managed by seven Regional Managers. These regions are the Gauteng, Kwazulu Natal, North West, Limpopo, Mpumalanga, Northern Cape, Free State and Western Cape Provinces. There are 50 acquisition consultants in the various offices.

### **Lending Policy**

Currently each application is analysed for affordability, adverse credit record, solvency and property value. Credit records are checked via the credit bureaus and the National Loans Register. The properties are valued by three main valuation companies who use valuers that are registered in terms of the Property Valuers Profession Act, 2000. By using these companies instead of a panel the Servicer is ensured of a uniform standard of valuations. All valuations are completed electronically and the system rates the actual valuation.

The lending policies are reviewed annually and all changes are approved by the board of directors of the Servicer.

**THE ISSUER - NQABA FINANCE 1 (RF) LIMITED****1. Introduction**

Nqaba Finance 1 (RF) Limited (the "**Issuer**") was incorporated and registered in South Africa on 10 October 2005, under registration number 2005/040050/06, under the Companies Act, 1973 as a private company with limited liability. The Issuer adopted a new memorandum of incorporation and converted to a public company effective 26 February 2013 under the Companies Act. The issued share capital of the Issuer comprises 100 ordinary shares of R1,00 par value each, held by the Owner Trust and one preference share of R0,01 par value, held by the Preference Shareholder. The Issuer has no subsidiaries.

**2. Directors**

The directors of the Issuer are Peter Brian Ellis Coombe, Douglas Austen Lorimer and Brian William Smith, and Trevor Leon Myburgh. The board of directors of the Issuer are independent of the Seller and the Arranger.

**3. Registered office and company secretary**

The registered office of the Issuer is situated at Megawatt Part, Sunninghill, Johannesburg, Gauteng, 2197. The company secretary of the Issuer is Mr Jesse Carberry of Maitland Group South Africa Limited, situated at 18 Fricker Road, Illovo, Johannesburg, 2196.

**4. Auditor**

The current auditor of the Issuer is SizweNtsalubaGobodo Grant Thornton Inc. (registration number 2002/021048/07).

**5. Activities**

The activities of the Issuer will be restricted by the Transaction Documents and will be limited to the issue of Notes, the purchase of Home Loans meeting the Eligibility Criteria, the exercise of related rights and powers and other activities referred to in this Programme Memorandum and the Transaction Documents or reasonably incidental to such activities.

As at the date of this Programme Memorandum, save as disclosed herein, the Issuer has no loan capital outstanding or created but unissued, no term loans outstanding and no other borrowings or indebtedness in the nature of borrowing nor any contingent liabilities or guarantees other than as provided for in the Transaction Documents.

The Issuer is an insolvency remote entity operating in accordance with the provisions of the Programme Memorandum with no employees and no administrative infrastructure of its own. Accordingly, the principles contained in the King IV Code are applied to the extent that they are relevant to the Issuer. In terms of the JSE Debt Listing Requirements, the Issuer has complied with the King IV Report on Corporate Governance to the extent applicable and is required to provide an explanation of which principles are not applied along with reasons for non-application, as more fully detailed in the Issuer's audited annual financial statements.



## **THE MANAGER**

### **Role of the Manager**

The Issuer has appointed Absa as the Manager, and as its agent, to advise the Issuer in relation to the management of the Programme and to exercise the Issuer's respective rights, powers and duties under the Transaction Documents, upon the terms and conditions of the Management Agreement. Any rights or obligations of the Issuer under the Transaction Documents may be exercised or satisfied (as the case may be) by the Manager on behalf of the Issuer and the Security SPV is not obliged to enquire as to the authority of the Manager to take such action on behalf of the Issuer.

The Manager is entitled to terminate its appointment as manager on at least 12 months prior written notice to the Issuer and the Security SPV; provided that such resignation shall not become effective until a substitute manager is appointed.

### **Duties of the Manager**

The duties of the Manager include ensuring that all management, reporting, administrative, accounting, company secretarial and legal functions which the Issuer may require to have carried out in the ordinary course of its business are carried out either by itself or by the Servicer, auditors, secretaries or attorneys of the Issuer from time to time.

The Manager assists and advises the Issuer in relation to the acquisition of Home Loans, manages the cash, administers the Priority of Payments, makes drawings under the Liquidity Facility Agreement and the Subordinated Loan Agreement when required and advises the Issuer in relation to the issuing, redeeming and re-issuing of Notes. The Manager also performs the functions of the Transfer Agent, the Settlement Agent and the Calculation Agent.

The Manager remains subject to the ultimate control and directions of the board of directors of the Issuer.

The Manager is under no obligation to fund payments owed in respect of any Notes, absorb losses in respect of the Home Loans or otherwise to compensate investors for losses incurred in respect of the Programme.

### **Remuneration of the Manager**

As compensation for the role performed by the Manager in managing the business of the Issuer, the Manager is entitled to a fee payable by the Issuer to the Manager in accordance with the provisions of the Management Agreement, which fee is paid to the extent permitted by, and in accordance with, the Priority of Payments.

Absa is a division of Absa Bank Limited (registration number 1986/004794/06). Absa Bank Limited is regulated by the South African Reserve Bank, is an Authorised Financial Services Provider in terms of the Financial Advisory and Intermediary Services Act, 37 of 2002 and is a Registered Credit Provider in terms of the National Credit Act, 34 of 2005. Absa conducts its business from 15 Alice Lane, Sandown, Sandton, 2196.

## THE SERVICER AND THE SERVICING AGREEMENT

The Issuer has appointed the Servicer in terms of the Servicing Agreement. The Servicer is required to administer the Home Loans as the agent of the Issuer in accordance with the terms of the Servicing Agreement. The duties of the Servicer include, without limitation, the right and obligation to:

- (i) manage the relationship between the Issuer and Borrowers;
- (ii) implement a collections procedure, arrears and foreclosure procedure in respect of Home Loans;
- (iii) manage the advance of Redraws, Re-advances and Further Advances by the Issuer;
- (iv) provide computer and information systems to the Issuer; and
- (v) comply with all the obligations imposed on the Servicer in terms of the Transaction Documents,

all on the terms and conditions set out in the Servicing Agreement.

The Servicer is entitled to sub-contract or delegate its functions under the Servicing Agreement subject to certain conditions. The Servicer remains liable to the Issuer for the performance of those functions notwithstanding such delegation.

The Servicer has appointed Absa Home Loans to act as Back-Up Servicer. Should the Servicer's appointment be terminated, the Back-Up Servicer shall, in accordance with the terms of the Servicing Agreement, on such termination be deemed to have been appointed as Substitute Servicer and shall step in to provide the Services to the Issuer as set out in the Servicing Agreement.

The Servicer is entitled to charge fees for its services rendered in terms of the Servicing Agreement, which fee is payable monthly in arrear on each Payment Date, to the extent permitted by, and in accordance with, the Priority of Payments. The Back-Up Servicer is entitled to a fee until it becomes Servicer (if at all) in terms of the Servicing Agreement. The Back-Up Servicer's fee is payable monthly in arrear on each Payment Date, to the extent permitted by, and in accordance with, the Priority of Payments.

The Servicer may terminate its appointment on not less than 12 month's written notice.

The appointment of EFC as Servicer may be terminated on the happening of certain events of default or insolvency on the part of EFC.

The Servicer has disaster recovery systems and back up arrangements in place. The current arrangements include nightly backups of all data and additional discrete monthly backups, in each case to a secure offsite location. In the event of a "disaster" (for these purposes, any event which disrupts on-line availability for more than 48 consecutive hours), the plan provides for the information to be retrieved and put into operation within 48 hours.

The Servicer is not entitled or obliged to remit funds to the Issuer unless the payments in respect of the Home Loans are collected.

The Servicer is not under any obligation to fund payments owed in respect of the Securitisation Scheme, absorb losses incurred in respect of the Home Loans ceded to the Issuer or otherwise to compensate Noteholders for losses incurred in respect of the Securitisation Scheme.

## THE HOME LOANS

### 1. Acquisition of Home Loans

The Issuer has entered into the Home Loan Sale Agreement with the Seller in terms of which the Seller may, from time to time during the Revolving Period, offer to sell to the Issuer, all of the Seller's rights, title and interest in and to a portfolio of Home Loans which comply with the Eligibility Criteria, together with the Related Security in respect of such Home Loans.

The Purchase Price payable by the Issuer to the Seller in respect of each Home Loan shall be equal to the Principal Balance of such Home Loan on the relevant Transfer Date and any amounts charged in respect of such Home Loan Agreement to the Borrower's account but unpaid on the relevant Transfer Date (including, for the avoidance of doubt, Accrued Interest). Transitional Home Loans shall be sold on credit to the Issuer pending a Note issue to fund the acquisition of such Home Loans. On each Payment Date pending such Note issue, the Issuer shall, to the extent permitted by, and in accordance with the Priority of Payments, pay to the Seller the outstanding Purchase Price for the Transitional Home Loans plus interest on the Purchase Price in an amount equal to the interest earned on such Home Loans from the relevant Transfer Date to each such Payment Date. On the relevant Issue Date, the Issuer shall pay to the Seller the balance of the Purchase Price in respect of such Transitional Home Loans. The Purchase Price for Home Loans other than Transitional Home Loans shall be paid on each relevant Transfer Date.

### 2. Eligibility Criteria

In terms of a Home Loan Sale Agreement, the Seller warrants that at the Transfer Date of each Home Loan, and the Related Security in respect of such Home Loan:

- 2.1 the Property in respect of each Home Loan was when the Home Loan was granted, a residential property (including freehold and sectional title units) situated in South Africa and excluding vacant plots and incomplete buildings;
- 2.2 each Home Loan is a fully amortising interest and principal home loan where equal payments are scheduled to be made on a monthly basis over the term of the loan or such other loan as the Rating Agency, upon written request by the Issuer, confirms will not adversely affect the ratings of the Notes currently in issue;
- 2.3 the minimum capital sum committed and/or advanced in terms of each Home Loan Agreement is R2 000;
- 2.4 the maximum capital sum committed and/or advanced in terms of each Home Loan Agreement is 0,25% of the portfolio of Home Loans owned by the Issuer;
- 2.5 the maximum term of each Home Loan is 30 years from the date of the first advance of funds to a Borrower in terms of the relevant Home Loan Agreement;
- 2.6 as at the later of the date of origination thereof and the most recent proof of income, the Home Loan had a PTI Ratio of less than or equal to 30%;
- 2.7 as at the Transfer Date, the Home Loan has a Current LTV Ratio of not more than 112%;
- 2.8 the Home Loan Agreement in respect of the Home Loan constitutes legal, valid and binding obligations of the relevant Borrower and the Home Loan Lender enforceable in accordance with its terms and complies with all Applicable Laws;
- 2.9 prior to making an advance to a Borrower, the Seller complied in full with all the Credit Criteria relevant to the granting of a Home Loan;
- 2.10 the Home Loan and each advance thereunder was made on the terms of the Core Facility Documents without any material variation thereto;
- 2.11 the Home Loan is Fully Performing as at the date of purchase thereof by the Issuer;

- 2.12 the relevant Property is insured under a Homeowner's Policy either in the joint names of the Borrower and the Seller or with the interest of the Seller endorsed or otherwise noted thereon or, in the case of sectional title property in the name of the body corporate, with the interests of the Seller endorsed thereon, in each case with an Accredited Insurer approved by the Seller, against all risks usually covered by home loan lenders in South Africa advancing money on the security of residential property of the same nature to an amount not less than the full reinstatement value determined by the Accredited Valuer appointed by the Seller;
- 2.13 all security applicable to the Home Loan is in place and of full force and effect;
- 2.14 If the Home Loan Agreement is one in respect of which the Seller has an EFC Commitment, the Home Loan Agreement provides for the cession of rights and/or delegation of obligations without the further consent of, or notice to, the relevant Borrower. If the Home Loan Agreement is one in respect of which the Seller does not have an EFC Commitment, the Home Loan Agreement provides for the cession of rights without the further consent of, or notice to, the relevant Borrower
- 2.15 in respect of the Guaranteed Home Loans, the Home Loan is secured by the Guarantee SPV Guarantee for at least the committed capital amount under the Home Loan Agreement and the Guarantee SPV Guarantee constitutes legal, valid, enforceable and continuing security in respect of the Home Loan;
- 2.16 in respect of Mortgaged Home Loans, the Home Loan is secured by a Mortgage Bond for at least the committed capital amount under the Home Loan Agreement and the Mortgage Bond constitutes legal, valid, enforceable and continuing security in respect of the Home Loan;
- 2.17 the Borrower is an individual, company, close corporation or trust;
- 2.18 the Borrower, if a natural person, is over 21 years of age and under 65 years of age. If the Borrower is under 21 years of age, consent in terms of section 80 of the Administration of Estates Act, 66 of 1965, has been obtained;
- 2.19 the Borrower is a permanent resident of the Republic of South Africa;
- 2.20 at least one Installment has been received in respect of such Home Loan; and
- 2.21 the acquisition of a relevant Home Loan will not result in a breach of the Portfolio Covenants at the date of its purchase by the Issuer.

### 3. **Portfolio Covenants**

The Issuer may purchase Additional Home Loans in terms of the Home Loan Sale Agreement if, immediately following such acquisition on the relevant Transfer Date, the following Portfolio Covenants are satisfied:

- 3.1 following the acquisition of each Home Loan, the portfolio of Home Loans owned by the Issuer will have a Weighted Average Original LTV Ratio equal to or lower than the Required Weighted Average Original LTV Ratio;
- 3.2 following the acquisition of each Home Loan, the portfolio of Home Loans owned by the Issuer will have a Weighted Average Current LTV Ratio equal to or lower than the Required Weighted Average Current LTV Ratio;
- 3.3 following the acquisition of each Home Loan, the portfolio of Home Loans owned by the Issuer will have a Weighted Average PTI Ratio equal to or lower than the Required Weighted Average PTI Ratio;
- 3.4 following the acquisition of each Home Loan, the portfolio of Home Loans owned by the Issuer will include Home Loans in relation to which the Borrower pays Instalments by way of an authorised payroll deduction or such other mechanism in respect of which a Rating Affirmation, upon written request by the Issuer, has been furnished by the Rating Agency, in a number exceeding the Required Minimum Payroll Deduction Percentage;

- 3.5 following the acquisition of each Home Loan, the portfolio of Home Loans owned by the Issuer will not include Home Loans in respect of second Properties of any Borrower in a number exceeding the Required Maximum Second Property Percentage;
- 3.6 following the acquisition of each Home Loan, the Average Outstanding Balance on the Portfolio of Home Loans owned by the Issuer will not exceed the Required Maximum Average Outstanding Balance; and
- 3.7 following the acquisition of each Home Loan, the portfolio of Home Loans owned by the Issuer will not include Home Loans to employees who are not directly employed by Eskom, but who are employed by subsidiary companies of Eskom or such other companies forming part of the Eskom group of companies or such other company in respect of which a Rating Affirmation, upon written request by the Issuer, has been obtained from the Rating Agency in a number exceeding the Required Direct Employees Percentage.

#### 4. **Warranties and Purchase**

The Home Loan Sale Agreement contains certain warranties given by the Seller to the Issuer in relation to, among others, the Home Loans transferred by the Seller to the Issuer pursuant to the Home Loan Sale Agreement as at each relevant Transfer Date. These include, among others:

- 4.1 the Seller has sole and exclusive legal title to the Home Loans to be sold pursuant to this Agreement, enabling the Seller to transfer and assign all of its right, title and interest in and to such Home Loans (including all security by or on behalf of the Seller in that regard) to the Issuer;
- 4.2 each Home Loan meets the Eligibility Criteria at the date of its sale to the Issuer;
- 4.3 no pledge, lien or right of set-off, counterclaim or other Security Interest or other adverse right or interest exists between the Seller and any Borrower and the Seller has not assigned (whether by way of absolute assignment or by way of security only), transferred, mortgaged, disposed of, dealt with or otherwise created or allowed to arise or subsist any Security Interest or other adverse right or interest in the Seller's right, title, interest and benefit in or to any of the Home Loans and/or Related Security, any of the other rights relating thereto or any of the property, rights, titles, interests or benefits to be sold or assigned pursuant to this Agreement or charged pursuant to the Security Agreements in any way whatsoever other than pursuant to this Agreement or the Security Agreements;
- 4.4 to the best of its knowledge, having made all reasonable enquiries, the Seller has not received written notice of any litigation, dispute or complaint (subsisting, threatened or pending) which affect or might materially affect any Home Loan or any of the Related Security;
- 4.5 to the best of its knowledge, having made all reasonable enquiries, the Seller has not received written notice from any attorney acting for a Borrower claiming any right of set-off against the Seller or claiming any other sums due to the Borrower from the Seller;
- 4.6 each Home Loan was originated by the Seller in compliance with the Credit Criteria.
- 4.7 The warranties do not relate to the future credit-worthiness of the Borrowers in terms of the Home Loan Agreements and do not relate to matters that do not fall within the control of the Seller, as the case may be.
- 4.8 No searches, enquiries or independent investigation of title have been or will be made by the Issuer or the Security SPV, each of whom is relying entirely on the warranties set out in the Home Loan Sale Agreement.
- 4.9 If there is an unremedied breach of any of the warranties set out in the Home Loan Sale Agreement, the Seller will be obliged to pay the Issuer such damages as the Issuer may have suffered in connection with such breach of warranty and, alternatively, the Seller will be obliged to purchase the relevant Home Loan and its Related Security for a consideration in cash equal to the Principal Balance and all other sums and any amounts charged in respect of such Home Loan Agreement to the Borrower's account but unpaid on the relevant date of purchase (including, Accrued

Interest) and pay to the Issuer such damages as the Issuer may have suffered in connection with such breach of warranty to the extent to which those damages have not been extinguished by that purchase and indemnify the Issuer in respect of claims made by the Issuer against any third party as a result of or arising out of or in connection with such breach. Payment of damages or performance of such purchase and payment of damages (if applicable) will be in full satisfaction of the liabilities of the Seller in respect of the relevant breach. Alternatively, as consideration for such purchase, the Seller may elect to transfer a Home Loan complying with the Eligibility Criteria applicable to all other Home Loans with a Principal Balance equal to or greater than the amount of such cash consideration, provided however that the substitute Home Loan complies with certain conditions set out in the Home Loan Sale Agreement.

5. **Portfolio of Home Loans**

As at 22 August 2019 (i) the portfolio of Home Loans owned by the Issuer comprised 6,739 Home Loans with an aggregate face value of R1,915,088,187 (ii) the aggregate seasoning of the Home Loans owned by the Issuer was 133 months, (iii) the average loan size was RR284,180 and (iv) the weighted average current loan to value was 67.6%. Updated information will also be made available in the investor report published by the Issuer from time to time, which investor report can be found on the Issuer's website (<http://www.eskom.co.za/OurCompany/Investors/NqabaFin1/Pages/default.aspx>).

## **SETTLEMENT, CLEARING AND TRANSFERS OF NOTES**

### **Notes held in the Central Securities Depository**

#### *Clearing systems*

Each Tranche of Notes which is listed on the Interest Rate Market of the JSE and issued in uncertificated form, will be cleared through the Central Securities Depository which, as the operator of an electronic clearing system, has been appointed by the JSE to match, clear and facilitate the settlement of transactions concluded on the JSE. Each such Tranche of Notes will be issued, cleared and transferred in accordance with the Applicable Procedures and the Terms and Conditions. Each such Tranche of Notes will be settled through Participants who will comply with the electronic settlement procedures prescribed by the JSE and the Central Securities Depository. The Notes may be accepted for clearance through any additional clearing system as may be agreed between the JSE, the Issuer and the Dealer(s).

#### *Participants*

As at the date of this amended and restated Programme Memorandum, the Participants in terms of the rules of the JSE, as settlement agents to perform electronic settlement of funds and scrip are the Citibank N.A. - South Africa branch, Standard Chartered Bank - Johannesburg Branch, Société Générale - Johannesburg Branch, South African Reserve Bank, FirstRand Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited. Euroclear Bank S.A./N.V., as operator of the Euroclear System and Clearstream Banking société anonyme will settle offshore transfers through their South African Participant.

#### *Settlement and clearing*

### **Notes issued in uncertificated form**

The Issuer may, subject to Applicable Laws, issue Notes that are to be listed on the Interest Rate Market of the JSE in uncertificated form. Notes issued in uncertificated form will not be represented by any certificate or written instrument.

All transactions in uncertificated securities as contemplated in the Financial Markets Act will be cleared and settled in accordance with the Applicable Procedures. All the provisions relating to Beneficial Interests in the Notes held in the Central Securities Depository will apply to Notes issued in uncertificated form.

### **Beneficial Interests**

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

Accordingly, and except where the contrary is provided in the Terms and Conditions, all amounts to be paid and all rights to be exercised in respect of the Notes held in uncertificated form, will be paid to and may be exercised only by the Central Securities Depository for the holders of Beneficial Interests in such Tranche of Notes.

The Central Securities Depository maintains central securities accounts only for Participants.

The Participants are in turn required to maintain securities accounts for their clients. The clients of Participants may include the holders of Beneficial Interests in the Notes or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the Central Securities Depository only through their Participants.

In relation to each person shown in the records of the Central Securities Depository or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Principal Amount of Notes, a certificate or other document issued by the Central Securities Depository or the relevant Participant, as the case may be, as to the Principal Amount of such Notes standing to the account of such person shall be *prima facie* proof of such Beneficial Interest.

Payments of interest and principal in respect of Notes held in uncertificated form, or any other Notes represented by a Certificate immobilised in the Central Securities Depository, will be made in accordance with Condition 8 to the Central Securities Depository and the Issuer will be discharged by proper payment to or to the order of the Central Securities Depository in respect of each amount so paid. The Central Securities Depository will in turn transfer such funds, via the Participants, to the holders of Beneficial Interests.

Each of the persons shown in the records of the Central Securities Depository and the relevant Participant, as the case may be, as the holders of Beneficial Interests will look solely to the Central Securities Depository or the relevant Participant, as the case may be, for such person's share of such payment so made by the Issuer to, or to the order of, the registered holder of such Notes.

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

#### *Transfers and exchanges*

Transfers of Beneficial Interests in the Central Securities Depository to and from clients of the Participants occur by electronic book entry in the central securities accounts of the clients of the Participants. Transfers among Participants of Notes held in the Central Securities Depository system occur through electronic book entry in the Participants' central security accounts with the Central Securities Depository. Beneficial Interests may be transferred only in accordance with the Conditions and the rules and operating procedures for the time being of the Central Securities Depository, Participants and the JSE.

The Issuer shall regard the Register as the conclusive record of title to the Notes.

Beneficial Interests may be exchanged for Notes represented by Certificates in accordance with Condition 14.4.

#### **Individual Certificates**

The Notes represented by Individual Certificates will be registered in the name of the individual Noteholders in the Register of Noteholders.

Notes represented by Individual Certificates may be transferred only in accordance with the Terms and Conditions.

Payments of interest and principal in respect of Notes represented by Individual Certificates will be made in accordance with Condition 8 to the person reflected as the registered holder of such Individual Certificates in the Register at 17h00 (Johannesburg time) on the Record Date, and the Issuer will be discharged by proper payment to or to the order of the registered holder of the Certificate in respect of each amount so paid.

#### **The JSE Debt Guarantee Fund Trust**

Claims against the JSE Debt Guarantee Fund Trust may only be made in respect of the trading of Notes listed on the Interest Rate Market of the JSE and in accordance with the rules of the JSE Debt Guarantee Fund Trust and can in no way relate to trading on another licensed or recognised exchange or to a default by the Issuer of its obligations under the Notes.



## **SOUTH AFRICAN TAXATION**

*The comments below are intended as a general guide to the current position under the laws of South Africa. The contents of this section headed "South African Taxation" do not constitute tax advice and persons should consult their professional advisers.*

### **Residents**

A natural person is a resident of South Africa for tax purposes if (i) he is ordinarily resident in South Africa, or (ii) he is not ordinarily resident in South Africa but is physically present in South Africa for certain periods specified in the Income Tax Act, 1962. A juristic person is a resident of South Africa for tax purposes if it is incorporated, established or formed in South Africa or if it has its place of effective management in South Africa.

South African tax residents are subject to South Africa Tax on their worldwide income. A non-resident is subject to South Africa Tax only in respect of income derived from a South African source.

#### **1. Securities Transfer Tax**

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

#### **2. Withholding Tax**

Section 50B of the Income Tax Act, 1962 ("the Income Tax Act") imposes a withholding tax on interest payments to persons who are not tax resident in South Africa for tax purposes, where the interest is sourced in South Africa. The withholding tax is levied at a rate of 15%, but could be reduced by relevant double taxation treaties. Withholding tax on interest in respect of certain debt instruments (which include any Notes issued under this Programme) may be applicable to persons who are regarded as non-residents for tax purposes in South Africa.

There are exemptions, which include interest paid in respect of debt listed on a recognised exchange. The JSE Limited would qualify as such an exchange. Should this exemption be repealed, non-resident Noteholders may rely on the relief afforded in terms of relevant double taxation agreements. In the event that such withholding or deduction is required by law, the Issuer will not be obliged to pay additional amounts in relation thereto.

Under current taxation law in South Africa, all payments made under the Notes to resident Noteholders will be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges.

#### **3. Income Tax**

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

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

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

##### **3.2 Position in respect of the current tax year**

Under current taxation law in South Africa:

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

Interest received by Noteholders who are tax resident in South Africa will be included in gross income on a yield-to-maturity basis in accordance with the terms of section 24J of the Income Tax Act.

Interest is deemed to be from a source in South Africa where the interest incurred is attributable to an amount incurred by a person that is tax resident in South Africa. Such interest is included in gross income of the recipient and may or may not be subject to exemption.

#### 4. **Capital gains**

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

Capital gains are taxable at normal tax rates, but in the case of a natural person only 40% of the gain is taxable, and in the case of companies and trusts, 80% of the capital gain is taxable.

Noteholders who are not tax resident in South Africa will generally not be subject to capital gains tax (if any) on the disposal of the Notes unless the Notes are assets of a permanent establishment of such non-resident located in South Africa or in respect of immovable property or an interest or right of whatever nature in or to immovable property situated in South Africa. In the event that the Notes comprise an interest in immovable property, any purchaser of a Note from a person who is regarded as a non-resident for tax purposes, may be subject to a withholding obligation in respect of the purchase consideration payable by the seller in terms of section 35A of the Income Tax Act. The amount to be withheld is determined with reference to a percentage depending on the juristic nature of the seller and may be subject to certain exemptions.

## **EXCHANGE CONTROL**

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

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

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

#### **Blocked Rand**

Blocked Rands may be used for the subscription for or purchase of Notes. Any amounts payable by the Issuer in respect of the Notes subscribed for or purchased with Blocked Rands may not, in terms of the Regulations, be remitted out of South Africa or paid into any non-South African bank account. For the purposes of this clause, "Blocked Rands" are defined as funds which may not be remitted out of South Africa or paid into a non-South African resident's bank account. The relevant legislation relating to Blocked Rand is the Regulations promulgated under the Currency and Exchanges Act, 1933.

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

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

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

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

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

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

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

For the purposes of these paragraphs, the Common Monetary Area comprises South Africa, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of Eswatini.

## SUBSCRIPTION AND SALE

In terms of (and subject to) the Programme Agreement, Absa has been appointed as a Dealer on an ongoing basis for the duration of the Programme. The Issuer may appoint one or more Dealers for a specific issue of one or more Tranches of Notes or on an ongoing basis.

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

### South Africa

Prior to the issue of any Tranche of Notes under the Programme by the Issuer, each Dealer for that Tranche of Notes will be required to represent and agree that it will not solicit any offers for subscription for or sale of the Notes in that Tranche of Notes, and will itself not sell Notes, in South Africa, in contravention of the Companies Act, the Banks Act, 1990, the Exchange Control Regulations and/or any other applicable laws or regulations of South Africa in force from time to time. In particular, without limitation, the Programme Memorandum does not, nor is it intended to, constitute a prospectus (as that term is defined in the Companies Act) and each Dealer will be required to represent and agree that it will not make "an offer to the public" (as that term is defined in the Companies Act) of any of the Notes in that Tranche of Notes (whether for subscription or sale) and any regulations promulgated thereunder. Notes will not be offered for subscription to any single addressee for an amount of less than R1 000 000.

### United States of America

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

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

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

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

### United Kingdom

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

represent and agree that:

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

### European Economic Area

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

- (a) in the period beginning on the date of publication of a prospectus in relation to those Notes which prospectus has been approved by the competent authority in that Relevant Member State in accordance with the prospectus directive and/or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the prospectus directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000 as shown in its last annual or consolidated accounts;
- (d) any time to fewer than 100 natural or legal persons (other than qualified investors defined in the prospective directive) subject to obtaining the prior consent of the relevant dealer or dealers nominated by the Issuer for any such offer; or
- (e) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the prospectus directive, or pursuant to any applicable national law of any Relevant Member State.

Provided that no such offer of the Notes referred to in (b) to (e) above shall require the Issuer or any Dealer to publish a prospective pursuant to article 3 of the prospective directive

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

**General**

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

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

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

## GLOSSARY OF DEFINITIONS

1. Terms and expressions set out below will have the meanings set out below in the Terms and Conditions and the other Transaction Documents, unless such term is separately defined in the Terms and Conditions, the Applicable Pricing Supplement or the Transaction Documents or the context otherwise requires:

1.1	<b>"Absa"</b>	Absa Bank Limited (acting through its Corporate and Investment Banking division), a public company with limited liability registered and incorporated in accordance with the laws of South Africa under registration number 1986/004794/06, its successors-in-title or assigns;
1.2	<b>"Absa Home Loans"</b>	Absa Home Loans, a division of Absa;
1.3	<b>"Account Bank"</b>	Absa, or such other bank appointed in terms of the Bank Agreement, provided that such bank shall be a bank (being an authorised institution under the Banks Act, 1990);
1.4	<b>"Account Monies"</b>	all monies held from time to time in all bank accounts (existing and future) in the name of or on behalf of the Issuer, including monies in the Bank Accounts;
1.5	<b>"Accredited Attorney"</b>	any of those firms of attorneys agreed to in writing between the Issuer and the Servicer from time to time;
1.6	<b>"Accredited Insurer"</b>	any of those insurers agreed to in writing between the Issuer and the Servicer from time to time;
1.7	<b>"Accredited Valuer"</b>	any of those property valuers agreed to in writing between the Issuer and the Servicer from time to time;
1.8	<b>"Accrued Interest"</b>	in respect of each Home Loan Agreement, the amount constituting <i>the aggregate amount of gross interest accrued but not paid</i> relative to such Home Loan Agreement;
1.9	<b>"Actual Redemption Date"</b>	in relation to a Tranche of Notes, the date on which the Notes in that Tranche are redeemed in full by the Issuer;
1.10	<b>"Additional Home Loan"</b>	an additional Home Loan sold and transferred to the Issuer on or after the Initial Issue Date during the Revolving Period, in the circumstances and subject to the conditions set out in the Home Loan Sale Agreement;
1.11	<b>"Advance"</b>	the amount advanced from time to time by the Liquidity Facility Provider or Redraw Facility Provider, as the case may be, to the Issuer pursuant to a Drawdown Notice;
1.12	<b>"Affiliate"</b>	in relation to any company means that company's subsidiary or <i>holding company, or a subsidiary company of that company's holding company</i> ;
1.13	<b>"this Agreement"</b>	when used in a Transaction Document, refers to that Transaction Document in which it is used;
1.14	<b>"Amortisation Period"</b>	the period commencing on the expiry of the Revolving Period and ending on the delivery of an Enforcement Notice;
1.15	<b>"Applicable Laws"</b>	in relation to a person, all and any:

- 1.15.1 statutes and subordinate legislation;
- 1.15.2 regulations, ordinances and directives;
- 1.15.3 by-laws;
- 1.15.4 codes of practice, circulars, guidance notices, judgements and decisions of any competent authority; and
- 1.15.5 other similar provisions, from time to time,
- compliance with which is mandatory for that person;
- 1.16 **"Applicable Pricing Supplement"** in relation to a Tranche of Notes, the pricing supplement completed and signed by the Issuer in relation to the issue of that Tranche of Notes, setting out such additional and/or other terms and conditions as are applicable to that Tranche of Notes, based upon the *pro forma* pricing supplement which is set out in the section of the Programme Memorandum headed "*Pro Forma Pricing Supplement*";
- 1.17 **"Applicable Procedures"** the rules and operating procedures for the time being of the Central Securities Depository, Settlement Agents and the JSE, as the case may be;
- 1.18 **"Approved Entity"** means:
- 1.18.1 a person which has the Required Credit Rating; or
- 1.18.2 a person which is a wholly-owned subsidiary of an entity which has the Required Credit Rating and whose obligations are unconditionally guaranteed by such entity. For the purpose of this definition, the term "subsidiary" will bear the meaning ascribed thereto in the Companies Act save that the relevant entity shall not be limited to being a South African company;
- 1.19 **"Approved Originator"** any additional or substitute home loan lender:
- 1.19.1 approved by the Security SPV in writing; and
- 1.19.2 whose accession to the Programme as an additional or substitute seller and/or servicer the Rating Agency, upon written request by the Issuer, confirms in writing will not cause it to downgrade or withdraw its respective current Rating of the Notes in issue;
- 1.20 **"Arranger"** Absa;
- 1.21 **"Arrears"** any amount unpaid in respect of an Instalment, other than a failure to pay which is due solely to a failure of the bank payment system or a failure of the payroll deduction mechanism through which Eskom deducts payments from the salaries of the Borrowers on behalf of EFC, provided that such failure of the payroll mechanism shall not persist for longer than one month;



1.22	<b>"Arrears Reserve"</b>	part of the monies standing to the credit of the Reserve Account, in an amount up to the Arrears Reserve Required Amount;
1.23	<b>"Arrears Reserve Required Amount"</b>	on any Determination Date where an Arrears Reserve Trigger Event has occurred and is continuing an amount calculated as follows:
1.23.1		the aggregate Principal Balances of Home Loans owned by the Issuer which are in Arrears for more than 3 months; plus
1.23.2		Accrued Interest on such Home Loans; less
1.23.3		60% of the values of the Properties in respect of such Home Loans based on the lower of the original valuation by an Accredited Valuer and, if applicable, a subsequent valuation by an Accredited Valuer;
1.24	<b>"Arrears Reserve Trigger Event"</b>	shall occur on any Determination Date where the aggregate Principal Balances of Home Loans (i) which are in Arrears for more than 3 months; and/or (ii) in respect of which the Issuer has instituted legal proceedings for the recovery of amounts owing, exceeds 2% of the aggregate Principal Balances of the Home Loans and shall cease when such percentage reduces to 1.5%;
1.25	<b>"Asset Quality Test"</b>	the aggregate Principal Balances of Home Loans that are not Defaulted Assets and are not Deteriorated Assets are sufficient to repay the Outstandings under the Liquidity Facility Agreement and the Redraw Facility Agreement;
1.26	<b>"Available Facility"</b>	in relation to:
1.26.1		the Redraw Facility, on any date an amount calculated as the difference between the Redraw Facility Limit and the Outstandings under the Redraw Facility Agreement;
1.26.2		the Liquidity Facility, on any date an amount calculated as the difference between the Liquidity Facility Limit and the Outstandings under the Liquidity Facility Agreement;
1.27	<b>"Average Outstanding Balance"</b>	the aggregate of all amounts outstanding under the Home Loans <i>owned by the Issuer divided by the number of Home Loans owned by the Issuer</i> ;
1.28	<b>"Back-Up Servicer"</b>	Absa Home Loans and its successors-in-title, in its capacity as back-up servicer under the Servicing Agreement, or such other person as may be appointed as back-up servicer under the terms of the Servicing Agreement;
1.29	<b>"Back-Up Servicing Fee"</b>	the fee payable to the Back-Up Servicer and determined in accordance with the provisions of the Servicing Agreement;
1.30	<b>"Bank Accounts"</b>	the bank account(s) held at the Account Bank in the name of the Issuer, namely, the Transaction Account and the Reserve Account;

1.31	<b>"Bank Agreement"</b>	the agreement entered into between the Servicer, the Manager, the Issuer, the Security SPV and the Account Bank, as amended, novated and/or substituted from time to time in accordance with its terms;
1.32	<b>"Beneficial Interest"</b>	in relation to a Note, an interest as co-owner of an undivided share in a Note held in uncertificated form, in accordance with the Financial Markets Act;
1.33	<b>"Books Closed Period"</b>	the period during which the Transfer Agent will not record any transfer of Notes in the Register, as specified in the Applicable Pricing Supplement;
1.34	<b>"Borrower"</b>	in relation to each Home Loan, the person or persons defined as such in the relevant Home Loan Agreement;
1.35	<b>"Business Day"</b>	a day (other than a Saturday, Sunday or statutory public holiday) <i>on which commercial banks settle payments in Rand in Johannesburg</i> ;
1.36	<b>"Business Day Convention"</b>	the business day convention, if any, specified as such and set out in the Applicable Pricing Supplement;
1.37	<b>"Business Proceeds"</b>	any proceeds of or arising in connection with the disposal by the Issuer of the whole or any part of its business or assets;
1.38	<b>"Calculation Agent"</b>	the Manager, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as calculation agent, as specified in the Applicable Pricing Supplement, in which event that other entity shall serve as calculation agent in respect of that Tranche or Series of Notes;
1.39	<b>"Central Securities Depository"</b>	Strate Limited (registration number 1998/022242/06), a central securities depository operating in terms of the Financial Markets Act, or any additional or alternate depository approved by the Issuer, the Dealer and the JSE;
1.40	<b>"Certificate" or "Individual Certificate"</b>	a single certificate representing Notes in a Tranche of Notes register in the name of the relevant Noteholder and an individual certificate in registered form exchanged for a Beneficial Interest in accordance with Condition 14.4;
1.41	<b>"Class" or "Class of Notes"</b>	all of the Notes having the same ranking in the Priority of Payments, designated by a letter of the alphabet (such as Class A Notes and Class B Notes), on the basis that a Note in a Class of Notes identified by a letter closer to the beginning of the alphabet will rank higher than Notes in those Classes of Notes identified by a letter closer to the end of the alphabet and a Class may comprise separate Series of Notes having different Interest Rates, Scheduled Maturity Dates, Final Maturity Dates and other terms as set out in the Applicable Pricing Supplement (and, if so, these will be designated by a letter of the alphabet followed by a numeral, such as Class A1 and Class A2);
1.42	<b>"Class B Interest Deferral Event"</b>	the calculation by the Manager that, on any Payment Date on which there are Class A Notes outstanding, the application of funds in accordance with the Pre-Enforcement Priority of Payments will give rise

		to a Principal Deficiency which exceeds the then aggregate Outstanding Principal Amount of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the principal outstanding in terms of the Subordinated Loan Agreement on such Payment Date;
1.43	<b>"Class C Interest Deferral Event"</b>	the calculation by the Manager that, on any Payment Date on which there are Class B Notes outstanding, the application of funds in accordance with the Pre-Enforcement Priority of Payments will give rise to a Principal Deficiency which exceeds the then aggregate Outstanding Principal Amount of the Class C Notes, the Class D Notes, the Class E Notes and the principal outstanding in terms of the Subordinated Loan Agreement on such Payment Date;
1.44	<b>"Class D Interest Deferral Event"</b>	the calculation by the Manager that, on any Payment Date on which there are Class C Notes outstanding, the application of funds in accordance with the Pre-Enforcement Priority of Payments will give rise to a Principal Deficiency which exceeds the then aggregate Outstanding Principal Amount of the Class D Notes, the Class E Notes and the principal outstanding in terms of the Subordinated Loan Agreement on such Payment Date;
1.45	<b>"Clearing System"</b>	Strate Limited acting as the approved electronic clearing house, carrying on the role of matching, clearing and facilitation of settlement of all transactions carried out on the JSE;
1.46	<b>"Closing List"</b>	the list to be provided by the Seller to the Issuer on each Transfer Date and containing a description of the details set out in Schedule 2 to the Home Loan Sale Agreement;
1.47	<b>"Collections Account(s)"</b>	a bank account or accounts held at a Reference Bank in the name of the Servicer, into which payments received in respect of the Home Loans are deposited;
1.48	<b>"Collection Period"</b>	each calendar month period commencing on (and including) the day following a Determination Date and ending on (and including) the following Determination Date, provided that the first such period will be from (and including) the Initial Issue Date to (and including) the following Determination Date;
1.49	<b>"Common Monetary Area"</b>	Lesotho, Namibia, Eswatini, South Africa;
1.50	<b>"Commencement Date"</b>	the Date of Signature of the last of the Common Terms Agreement, the Home Loan Sale Agreement, the Servicing Agreement, the Redraw Facility Agreement, the Management Agreement, the Bank Agreement, the Security Agreements, the Security SPV Guarantee and the Programme Memorandum, to be signed;
1.51	<b>"Commitment"</b>	(subject to any increase or decrease of the Redraw Facility Limit or Liquidity Facility Limit, as the case may be, or any cancellation of the Redraw Facility or Liquidity Facility, as the case may be) the commitment of the Redraw Facility Provider or Liquidity Facility Provider, as the case may be, to make Advances from time to time up to the Redraw Facility Limit or Liquidity Facility Limit, as the case may be, during the Commitment Period;



1.59	<b>"Coupon Step-Up Date"</b>	means:
1.59.1		the date on which a Servicer Event of Default (other than a Servicer Event of Default relating to the illegality of the performance of the Servicer's obligations in terms of the Servicing Agreement) occurs and the Servicer's appointment is terminated in terms of the Servicing Agreement as a result of such Servicer Event of Default or
1.59.2		in respect of a Tranche of Notes, the Scheduled Maturity Date of that Tranche of Notes;
1.60	<b>"Coupon Step-Up Rate"</b>	in relation to each Class of Notes, the interest rate as specified in the Applicable Pricing Supplement;
1.61	<b>"Credit Criteria"</b>	the criteria to be complied with by a Borrower prior to the grant of any Home Loan to such Borrower, and/or prior to the grant of any <b>Further Advance or Re-advance to such Borrower under a Home Loan</b> , as the case may be, as set out in Schedule 1 to the Servicing Agreement, as amended with the written consent of the Security SPV from time to time, and subject to the Rating Agency not notifying the Issuer in writing that any change in the Credit Criteria will cause the Rating Agency to downgrade or withdraw the respective current Rating(s) of the Notes or cause the Notes to be placed on "Creditwatch", or some similar publication for formal review, with negative implications, following written notice from the Issuer of the proposed amendment(s) to the criteria set out in Schedule 1 of the Servicing Agreement;
1.62	<b>"Credit Enhancement Determination Date"</b>	the most recent date on which the Issuer received a Rating Affirmation;
1.63	<b>"Current LTV Ratio"</b>	in respect of a Home Loan, the LTV Ratio as at the most recent Determination Date;
1.64	<b>"Date of Signature"</b>	the date of signature of a Transaction Document by the signatory which signs it last;
1.65	<b>"Dealer(s)"</b>	a dealer in relation to an issue of Notes, appointed by the Issuer 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 such dealer;
1.66	<b>"Debt Sponsor"</b>	Absa;
1.67	<b>"Defaulted Asset"</b>	any Home Loan Agreement with respect to which the Issuer has commenced legal proceedings (including the delivery of a letter of demand) for the repayment of amounts outstanding under such Home Loan Agreement;
1.68	<b>"Derivative Contract"</b>	any interest rate swap, forward rate agreement or other rate or hedging transaction or agreement, any option with respect to such transaction or agreement, or any combination of such transactions or agreements or other similar arrangements entered into by the Issuer, as amended,

		novated and/or substituted from time to time in accordance with its terms;
1.69	<b>"Derivative Counterparty"</b>	any person with the Required Credit Rating, with whom the Manager concludes a Derivative Contract on behalf of the Issuer to hedge the Issuer's interest rate risks;
1.70	<b>"Derivative Termination Amount"</b>	all amounts payable to the Derivative Counterparty by the Issuer under any Derivative Contract following the occurrence of an early termination date as defined in that Derivative Contract;
1.71	<b>"Deteriorated Asset"</b>	any Home Loan Agreement with respect to which more than 3 Instalments are in Arrears;
1.72	<b>"Determination Date"</b>	the last day of the calendar month preceding each Payment Date;
1.73	<b>"Dividend Payment Date"</b>	each Payment Date;
1.74	<b>"Drawdown Date"</b>	in relation to any Advance, the date for the making of such Advance, as specified in the Drawdown Notice relating to such Advance;
1.75	<b>"Drawdown Notice"</b>	in relation to each Advance, a written notice of intention to <i>drawdown under the Redraw Facility Agreement or Liquidity Facility Agreement</i> , as the case may be, delivered by the Issuer to the Redraw Facility Provider or Liquidity Facility Provider, as the case may be;
1.76	<b>"Due Date"</b>	in relation to any Advance under the Redraw Facility or Liquidity Facility, as the case may be, the last day of the Term of such Advance;
1.77	<b>"Early Amortisation Event"</b>	the occurrence of any of the following events, as determined by the Manager:
1.77.1		the introduction of any new Tax on income, profits or gains or any change in the basis of taxation of any payments due to the Issuer (except changes in the rate of Taxation) after the date of this Programme Memorandum, which has a Material Adverse Effect on the Issuer;
1.77.2		any Servicer Event of Default;
1.77.3		the Arrears Reserve is not funded at the Arrears Reserve Required Amount on six consecutive Payment Dates;
1.77.4		on any Determination Date, the Weighted Average Current LTV Ratio exceeds the Required Weighted Average Current LTV Ratio by more than 10%;
1.77.5		on any Determination Date, the aggregate Principal Balances of Home Loans owned by the Issuer which are in Arrears for more than 3 months, exceeds 2.5% of the aggregate Principal Balances of the Home Loans ;
1.77.6		on any Determination Date, the Issuer does not achieve the Required Interest Margin;

- 1.77.7 a Principal Deficiency exists on any Payment Date;
- 1.77.8 the long term corporate family rating assigned to Eskom Holdings SOC Limited (registration number 2002/015527/30) by Moody's is downgraded to below Caa1 by Moody's;
- 1.77.9 where the Rating Agency has assigned a Rating to Tranches of Notes in issue, the Rating Agency withdraws its Ratings of all (and not only some) of such Tranches of Notes and such Ratings are not reinstated within 30 days;
- 1.78 **"EFC"** Eskom Finance Company SOC Ltd, a state owned company with limited liability registered and incorporated in accordance with the laws of South Africa under registration number 1990/001322/07, its successors-in-title and permitted assigns;
- 1.79 **"EFC Commitments"** The obligation(s) of the Home Loan Lender to advance:
- 1.79.1 Redraws under Home Loans which are revolving savings facility home loans; or
- 1.79.2 Re-advances and Further Advances such that the Principal Balance of the relevant Home Loan does not exceed 80% of the most recent value placed on the Property by an Accredited Valuer for purposes of valuing the Property relating to the relevant Home Loan, provided that such valuation is not more than 12 months old, under Home Loans which are revolving mortgage facility home loans,
- together "the EFC Commitments" and each "an EFC Commitment";
- 1.80 **"EFC Restructuring"** shall occur if:
- 1.80.1 EFC ceases to be a wholly-owned subsidiary of Eskom; or
- 1.80.2 EFC disposes of the whole or a material part of its business;
- 1.81 **"Eligibility Criteria"** the criteria that a Home Loan must satisfy to be acquired by the Issuer, as set out in Schedule 3 to the Home Loan Sale Agreement (as such criteria may be amended from time to time, provided that the Rating Agency is furnished at least 5 Business Days prior written notice of the proposed amendment and does not notify the Issuer in writing that such amendment may cause it to downgrade or withdraw its respective current Rating(s) of the Notes in issue);
- 1.82 **"Eligible Home Loan"** a Home Loan that satisfies the Eligibility Criteria;
- 1.83 **"Encumbrance"** includes any mortgage bond, notarial bond, pledge, lien, hypothecation, assignment, security cession, deposit by way of security or any other agreement or arrangement (whether conditional or not and whether relating to existing or to future assets), having the effect of providing a security interest or preferential treatment to a person over another person's assets (including set-off, title retention or reciprocal fee arrangements) or any agreement or arrangement to give any form of

security or preferential treatment to a person over another person's assets but excluding statutory preferences; and "Encumber" will be construed accordingly;

- 1.84        **"Enforcement Notice"**        a notice delivered or deemed to have been delivered to the Issuer pursuant to the Terms and Conditions following an Event of Default under the Notes;
- 1.85        **"Eskom"**        Eskom Holdings SOC Ltd, a state owned company with limited liability registered and incorporated in accordance with the laws of South Africa under registration number 2002/015527/30 and its successors-in-title and permitted assigns;
- 1.86        **"Event of Default"**        in relation to the Notes, any of the events or circumstances specified as such in the Terms and Conditions, and in relation to any other Transaction Document, an event specified as such in terms of that Transaction Document;
- 1.87        **"Excluded Items"**        means:
- 1.87.1        monies which properly belong to third parties (including monies owing to any party in respect of reimbursement for direct debit recalls);
- 1.87.2        amounts payable to the Seller in terms of the Home Loan Sale Agreement in respect of the purchase consideration for the acquisition of Home Loans from the Seller, to the extent that such purchase consideration is paid using the net proceeds received by the Issuer from a Tranche(s) of Notes issued for this purpose and related Subordinated Loans;
- 1.87.3        amounts payable for the redemption of Notes, to the extent that such redemption is paid using the net proceeds received by the Issuer from a Tranche(s) of Notes issued for this purpose and related Subordinated Loans;
- 1.87.4        amounts payable to the Seller under the Home Loan Sale Agreement in respect of reconciliations of the amounts paid in respect of the purchase of the Home Loans on any Transfer Date;
- 1.87.5        during the Revolving Period only, amounts corresponding to the aggregate Redraws, Re-advances and Further Advances which are advanced by the Issuer to Borrowers on any day, in accordance with the terms and conditions of the Servicing Agreement;
- all of which items rank above all other items in the Priority of Payments, and the payment of which is not restricted to Payment Dates;
- 1.88        **"Extraordinary Resolution"**        a resolution passed at a properly constituted meeting of Noteholders or Noteholders of the relevant Class of Notes, as the case may be, by a majority of Noteholders representing not less than 75% of the aggregate Outstanding Principal Amount of the Notes or the relevant



Class of Notes, as the case may be, present in person or by proxy at such meeting and voting at such meeting upon a show of hands or a poll;

1.89	<b>"Final Broken Amount"</b>	in respect of the interest on Fixed Rate Notes, the amount specified in the Applicable Pricing Supplement;
1.90	<b>"Final Maturity Date"</b>	in relation to a Tranche of Notes, the date specified as such in the Applicable Pricing Supplement, being the date upon which the Issuer is obliged to redeem such Tranche of Notes in accordance with the Terms and Conditions;
1.91	<b>"Financial Markets Act"</b>	the Financial Markets Act, 2012;
1.92	<b>"Fixed Rate Notes"</b>	Notes which will bear interest at a fixed Interest Rate, as specified in the Applicable Pricing Supplement;
1.93	<b>"Floating Rate Notes"</b>	Notes which will bear interest at a floating Interest Rate, as specified in the Applicable Pricing Supplement;
1.94	<b>"Fully Performing"</b>	a Home Loan which is not currently in Arrears;
1.95	<b>"Further Advance"</b>	means additional principal advances (in excess of Repayments and Prepayments) advanced to a Borrower in terms of the Home Loan Agreement concluded by such Borrower (the terms of which Home Loan Agreement will determine whether the additional advances to the Borrower are discretionary or obligatory);
1.96	<b>"GIC Provider"</b>	Absa and its successors-in-title, in its capacity as provider of the guaranteed rate of return under the Guaranteed Investment Contract, or such other person as may be appointed as GIC Provider under the terms of the Guaranteed Investment Contract;
1.97	<b>"Guarantee Conditions"</b>	any conditions specified or contemplated in the Security SPV Guarantee;
1.98	<b>"Guaranteed Investment Contract" or "GIC"</b>	the agreement between the GIC Provider, the Issuer and the Security SPV, as amended from time to time in accordance with its terms;
1.99	<b>"Guaranteed Home Loan"</b>	a Home Loan granted by a Home Loan Lender against the security of, <i>inter alia</i> , a Guarantee SPV Guarantee;
1.100	<b>"Guarantee Event"</b>	a guarantee event contemplated in the Security SPV Guarantee;
1.101	<b>"Guarantee SPV"</b>	Nqaba Guarantee SPV (RF) Proprietary Limited, a private company registered and incorporated in accordance with the laws of South Africa under registration number 2006/00761/07, established as a special purpose entity, which issues limited recourse guarantees to the Home Loan Lender, against the security of an Indemnity and an Indemnity Bond and its successors in title or assigns;
1.102	<b>"Guarantee SPV Guarantee"</b>	in respect of Guaranteed Home Loans, the individual guarantee given by the Guarantee SPV in favour of the Seller (whether originally or as permitted assignee), guaranteeing a Borrower's obligations to the Seller



1.108	<b>"Home Loan Rate"</b>	the annual lending rate of interest from time to time levied in respect of each home loan originated by the Servicer or such other entity approved by the Rating Agency (as certified by any manager of the Servicer or such other entity, as the case may be, whose authority and/or appointment need not be proved), nominal annual compounded monthly in arrear;
1.109	<b>"Home Loan Sale Agreement"</b>	the agreement between the Issuer, the Seller and the Security SPV in relation to the sale and transfer of Home Loans from the Seller to the Issuer;
1.110	<b>"Home Loan Term"</b>	with respect to any Home Loan, the period from and including the date of the original advance under such Home Loan up to and including the date on which all principal, interest and other monies connected with such Home Loan are to be repaid;
1.111	<b>"Homeowners' Insurance Company"</b>	The Hollard Insurance Company Limited, the insurance company which has issued, or any of the insurance companies which may issue in the future, any of the Homeowners' Policies;
1.112	<b>"Homeowners' Policies"</b>	any short-term homeowners' insurance policies in relation to a Property insuring the buildings, erections and improvements on such Property against the risk of loss and/or damage;
1.113	<b>"Indemnity"</b>	in respect of Guaranteed Home Loans, a written indemnity given by a Borrower to the Guarantee SPV in relation to the Home Loan granted to such Borrower, on terms acceptable to the Guarantee SPV and the Home Loan Lender, in terms of which the Borrower indemnifies the Guarantee SPV against any loss, liability, damage, claim, cost or expense which the Guarantee SPV may incur in terms of the Guarantee SPV Guarantee, as amended, novated and/or replaced from time to time, and which Indemnity shall be secured by an Indemnity Bond;
1.114	<b>"Indemnity Bond"</b>	in respect of Guaranteed Home Loans, an indemnity bond (including a sectional title indemnity bond) on terms acceptable to the Guarantee SPV and the Home Loan Lender, registered over the Property and the relevant Borrower in favour of the Guarantee SPV, as security for the relevant Borrower's obligations to the Guarantee SPV in terms of the Indemnity, as amended, novated and/or replaced from time to time;
1.115	<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;
1.116	<b>"Indexed Notes"</b>	an Indexed Interest Note and/or an Indexed Redemption Amount Note, as applicable;
1.117	<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;
1.118	<b>"Initial Broken Amount"</b>	in respect of the interest on Fixed Rate Notes, the amount <i>specified in the Applicable Pricing Supplement</i> ;

1.119	<b>"Initial Issue Date"</b>	the Issue Date of the Initial Notes, as specified in the Applicable Pricing Supplement;
1.120	<b>"Initial Lender"</b>	EFC or such other Approved Originator that is the initial lender (whether originally or as permitted assignee) under a Home Loan Agreement entered into with a Borrower in relation to a Home Loan;
1.121	<b>"Initial Notes"</b>	the Notes in the first Tranche (or Tranches) of Notes issued by the Issuer under the Programme;
1.122	<b>"Instalment"</b>	the monthly payment in respect of principal, interest (or a combination of both) and insurance premiums, if applicable, due in respect of a Home Loan, in accordance with the provisions of the relevant Home Loan Agreement;
1.123	<b>"Insurance Companies"</b>	the Homeowners' Insurance Companies and the Life Insurance Companies;
1.124	<b>"Insurance Contracts"</b>	the Homeowners' Policies, the Life Insurance Policies and any other or additional policies, which may be taken out at any time in the future in relation to the Home Loans;
1.125	<b>"Insurance Proceeds"</b>	any proceeds of any claim under any of the Insurance Contracts;
1.126	<b>"Interest Amount"</b>	the amount of interest payable in respect of each Note, as determined in accordance with the Terms and Conditions;
1.127	<b>"Interest Commencement Date"</b>	the first date from which interest on the Notes, if any, will accrue, as specified in the Applicable Pricing Supplement;
1.128	<b>"Interest Deferral Event"</b>	a Class B Interest Deferral Event, a Class C Interest Deferral Event and/or a Class D Interest Deferral Event;
1.129	<b>"Interest Payment Date(s)"</b>	in relation to each Tranche of Notes, the interest payment dates specified as such in the Applicable Pricing Supplement;
1.130	<b>"Interest Period(s)"</b>	in relation to each Tranche of Notes, the period(s) in respect of which interest, if any, accrues on the Notes, as specified in the Applicable Pricing Supplement;
1.131	<b>"Interest Rate(s)"</b>	in relation to each Tranche of Notes, the interest rate(s), if any, specified in the Applicable Pricing Supplement;
1.132	<b>"Interest Rate Market of the JSE"</b>	the separate platform or sub-market of the JSE designated as the "Interest Rate Market" and on debt securities (as defined in the JSE Debt Listings Requirements) may be listed, or such other separate platform or sub-market of the JSE as is selected by the Issuer, subject to all applicable laws;
1.133	<b>"ISDA"</b>	International Swaps and Derivatives Association, Inc;
1.134	<b>"ISDA Definitions"</b>	the 2000 ISDA Definitions as published by ISDA (as amended, supplemented, revised or republished from time to time);

1.135	<b>"Issue Date"</b>	in relation to each Tranche of Notes, the date specified as such in the Applicable Pricing Supplement;
1.136	<b>"Issue Price"</b>	in relation to each Tranche of Notes, the price specified as such in the Applicable Pricing Supplement;
1.137	<b>"Issuer"</b>	Nqaba Finance 1 (RF) Limited, a public company with limited liability registered and incorporated in accordance with the laws of South Africa under registration number 2005/040050/06 and its successors in title or assigns;
1.138	<b>"Issuer Expense Cap"</b>	an annual amount calculated by the Manager in respect of each financial year of the Issuer in respect of items 2 to 5 of the Priority of Payments, and notified in writing to the Issuer and the Rating Agency, which amount shall not exceed 0.35% of the aggregate of the Outstanding Principal Amounts of the Notes in issue from time to time plus any amounts outstanding under the Subordinated Loan(s);
1.139	<b>"Issuer Indemnity"</b>	in respect of Home Loans, the written indemnity given by the Issuer to the Security SPV indemnifying the Security SPV against claims by the Secured Creditors in terms of the Security SPV Guarantee;
1.140	<b>"Issuer Insolvency Event"</b>	the occurrence of any of the following events in relation to the Issuer:
1.140.1		the Issuer becoming subject to a scheme of arrangement as envisaged in section 114 of the Companies Act or scheme of compromise as envisaged in section 155 of the Companies Act (other than a scheme of arrangement or scheme of compromise the terms of which have been approved by the Security SPV or by an Extraordinary Resolution of the Noteholders and where the Issuer is solvent);
1.140.2		the Issuer being wound-up, liquidated, deregistered or placed under judicial management or supervision by a business rescue practitioner, whether provisionally or finally and whether voluntarily or compulsorily or passing a resolution providing for any such event;
1.140.3		the Issuer compromising or attempting to compromise with or deferring or attempting to defer payment of debts owing by it to its creditors generally or any significant class of its creditors (except a deferral provided for in the Transaction Documents as a result of a lack of available funds for that purpose in terms of the Priority of Payments);
1.140.4		the Issuer committing an act which would be an act of insolvency, in terms of the Insolvency Act, 1936, were the Issuer a natural person (except as provided for in the Transaction Documents as a result of lack of available funds for that purpose in terms of the Priority of Payments);
1.140.5		the Issuer being deemed to be unable to pay its debts in terms of the Companies Act (except where such is as a result of a

- lack of available funds for that purpose in terms of the Priority of Payments); or
- 1.140.6 the members or creditors of the Issuer meeting in order to pass a resolution providing for the Issuer to be wound-up, liquidated, deregistered or placed under judicial management or supervision by a business rescue practitioner, or any resolution being passed to this effect;
- 1.141 **"Issuer's Business"** the business of the Issuer in acquiring Home Loans and Related Security, issuing Notes, entering into Transaction Documents (and related documents) and any other incidental or related activity;
- 1.142 **"JIBAR"** means:
- 1.142.1 the mid-market rate for 3 month deposits in Rand for the relevant Interest Period which appears on the Reuters screen SAFEY page under caption "Yield" (or on the SAFEX nominated successor screen for JIBAR) as of approximately 11h00, Johannesburg time, on the relevant Note Reset Date, rounded to the third decimal point; or
- 1.142.2 if such rate does not appear on the Reuters screen SAFEY page (or on the SAFEX nominated successor screen for JIBAR) for the relevant Interest Period for any reason whatsoever, the rate determined on the basis of the mid-market 3 month deposit rates for Rand quoted by at least 2 of the Reference Banks at approximately 11h00, Johannesburg time, on the Rate Determination Date. (The requesting party will request the principal Johannesburg office of each of the Reference Banks to provide a quotation of such rate. If at least 2 quotations are provided, the rate for that date will be the arithmetic mean of those quotations); or
- 1.142.3 if on any Rate Determination Date on which the previous subparagraph applies, fewer than 2 quotations are provided by the Reference Banks, the rate for that date will be determined by the Servicer, acting in good faith and in a commercially reasonable manner, using a representative rate which in its opinion is as close as possible to 3 month JIBAR;
- 1.143 **"the JSE"** the JSE Limited (registration number 2005/022939/06), a licensed financial exchange in terms of the Financial Markets Act or any exchange which operates as a successor exchange to the JSE;
- 1.144 **"JSE Debt Listings Requirements"** means all listings requirements promulgated by the JSE from time to time for the Interest Rate Market of the JSE;
- 1.145 **"Last Day to Register"** close of business on the Business Day immediately preceding the first day during which the Register is closed in accordance with Condition 16;

1.146	<b>"Life Insurance Companies"</b>	the insurance companies which have issued, or any insurance companies which may issue in the future, any of the Life Insurance Policies;
1.147	<b>"Life Insurance Policies"</b>	the life insurance policies taken out by the Borrowers, in accordance with their respective Home Loan Agreements, with any of the Life Insurance Companies;
1.148	<b>"Liquidity Facility"</b>	a committed Rand denominated short term loan facility, provided by the Liquidity Facility Provider in terms of the Liquidity Facility Agreement;
1.149	<b>"Liquidity Facility Agreement"</b>	the agreement between the Issuer, the Security SPV and the Liquidity Facility Provider setting out the terms of the Liquidity Facility, as amended from time to time in accordance with its terms;
1.150	<b>"Liquidity Facility Limit"</b>	an amount equal to the greater of 2% of the Principal Amount of the Initial Notes issued on the Initial Issue Date and 2% of the Outstanding Principal Amount of the Notes in issue from time to time, being the maximum aggregate amount that can be drawn at any time under the Liquidity Facility;
1.151	<b>"Liquidity Facility Provider"</b>	the entity with the Required Credit Rating with whom the Issuer concludes a Liquidity Facility Agreement to provide the Liquidity Facility to the Issuer;
1.152	<b>"Liquidity Shortfall"</b>	on any Payment Date, an amount equal to the sum of items 1 to 6 in the Pre-Enforcement Priority of Payments applicable during the Revolving Period or an amount equal to the sum of items 1 to 6 in the Pre-Enforcement Priority of Payments applicable during the Amortisation Period, as the case may be, payable on such Payment Date, less the cash available in the relevant Priority of Payments on such Payment Date to fund such expenses;
1.153	<b>"LTV Ratio"</b>	in respect of a Home Loan, the loan to value ratio of such Home Loan, being the ratio of the total amount outstanding under the Home Loan to the most recent value placed on the Property by an Accredited Valuer for the purposes of valuing the Property relating to the relevant Home Loan;
1.154	<b>"Management Agreement"</b>	the agreement between the Issuer, the Manager, the Security SPV and the Servicer relating to the provision of financial administration services by the Manager to the Issuer, as amended from time to time in accordance with its terms;
1.155	<b>"Manager"</b>	Absa, in its capacity as manager under the Management Agreement or such other person as may be appointed as manager in accordance with the provisions of the Management Agreement;
1.156	<b>"Manager Fee"</b>	the fee payable by the Issuer to the Manager in terms of the Management Agreement;
1.157	<b>"Margin"</b>	means:

1.157.1		in relation to Floating Rate Notes, the margin as specified in the Applicable Pricing Supplement; and
1.157.2		in relation to Fixed Rate Notes and any other Notes, the margin as specified in the Derivative Contract entered into between the Issuer and the Derivative Counterparty in relation to the fixed-for-floating rate swap;
1.158	<b>"Material Adverse Effect"</b>	an event or circumstance which (when taken alone or together with any previous event or circumstance) has, or could reasonably be expected to have, a materially adverse effect on the assets, business or financial condition or trading prospects of the Issuer, the Manager or the Servicer as a whole to such an extent that their ability to perform their respective obligations in terms of the Transaction Documents is, or is reasonably likely to be, impaired;
1.159	<b>"Matured Notes"</b>	in relation to each Tranche of Notes which is not redeemed in full on the Scheduled Maturity Date, all of the Notes in that Tranche of Notes;
1.160	<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 or other Notes, each as specified in the Applicable Pricing Supplement;
1.161	<b>"Moody's"</b>	Moody's Investors Service Limited, its successors-in-title and Affiliates;
1.162	<b>"Mortgage Bond"</b>	in respect of Mortgaged Home Loans, a first mortgage bond or sectional title bond on terms acceptable to the Home Loan Lender, registered over the Property of the relevant Borrower in favour of the Home Loan Lender as security for the obligations of such Borrower to the Home Loan Lender in relation to the Home Loan granted to such Borrower;
1.163	<b>"Mortgaged Home Loan"</b>	a Home Loan granted by a Home Loan Lender to a Borrower against the security of, <i>inter alia</i> , a Mortgage Bond;
1.164	<b>"Most Recent Evaluation Date"</b>	the Issue Date of the most recent Tranche(s) of Notes issued by the Issuer, following an evaluation by the Rating Agency of the portfolio of Home Loans owned by the Issuer on that Issue Date and, if applicable, to be acquired by the Issuer on that Issue Date or such other date agreed to by the Rating Agency;
1.165	<b>"NACA"</b>	nominal annual compounded annually;
1.166	<b>"NACM"</b>	nominal annual compounded monthly;
1.167	<b>"NACQ"</b>	nominal annual compounded quarterly;
1.168	<b>"NACS"</b>	nominal annual compounded semi-annually;
1.169	<b>"Noteholder"</b>	in relation to a Note, means the holder of the Note as recorded in the Register;
1.170	<b>"Note Subscription Agreement"</b>	the agreement entered into between the Issuer and the Dealer(s) in terms of which the Issuer agrees to issue one or more Tranches of



		Notes under the Programme and in terms of which one or more Dealers agree to subscribe for, or procure subscriptions for, such Tranche or Tranches of Notes, in accordance with such agreement and shall be substantially in the form set out in Schedule 5 to the Programme Agreement or such other form as may be agreed between the Issuer, EFC and the Arranger;
1.171	<b>"Notes"</b>	the limited recourse, secured registered Notes issued by the Issuer under the Programme in terms of the Terms and Conditions;
1.172	<b>"Ordinary Resolution"</b>	a resolution passed at a properly constituted meeting of Noteholders or Noteholders of the relevant Class of Notes, as the case may be, upon a poll, by majority of the votes cast at such poll by Noteholders or Noteholders of the relevant Class of Notes, as the case may be, present in person or by proxy;
1.173	<b>"Ordinary Shares"</b>	the ordinary shares with a nominal value of one Rand each in the issued share capital of the Issuer;
1.174	<b>"Original LTV Ratio"</b>	in respect of a Home Loan, the LTV Ratio as at origination of that Home Loan, or if such information is unavailable, the greater of the Current LTV Ratio and the weighted average LTV Ratio in respect of Home Loans where an Original LTV Ratio is available;
1.175	<b>"Outstanding Principal Amount"</b>	of any Note, means the Principal Amount of that Note less the aggregate amounts in respect of principal redeemed on that Note;
1.176	<b>"Outstandings"</b>	the total amount owing by the Issuer to the Redraw Facility Provider or Liquidity Facility Provider, as the case may be, at any point in time in terms of the Redraw Facility Agreement or Liquidity Facility Agreement, as the case may be, including the aggregate of all Advances, plus any interest accrued or capitalised on such Advances, plus any fees or other costs owing to the Redraw Facility Provider or Liquidity Facility Provider, as the case may be, in terms of the Redraw Facility Agreement or Liquidity Facility Agreement, as the case may be, which have not been repaid or prepaid, irrevocably, unconditionally and in full;
1.177	<b>"Owner Trust"</b>	the Nqaba Finance 1 Owner Trust, a trust established in accordance with the laws of South Africa with Masters' Reference Number IT 2812/06, which owns or will own all the Ordinary Shares in the issued share capital of the Issuer;
1.178	<b>"Owner Trustee"</b>	the trustee for the time being of the Owner Trust;
1.179	<b>"Owner Trust Pledge" or "Pledge"</b>	the pledge and security cession by the Owner Trustee, as shareholder of the Issuer, of its shares in the Issuer to the Security SPV as security for the obligations of the Owner Trustee in terms of the Owner Trust Suretyship;
1.180	<b>"Owner Trust Suretyship"</b>	a deed of suretyship executed by the Owner Trustee in favour of the Security SPV which deed of suretyship secures the obligations of the Issuer to the Security SPV in respect of the Issuer Indemnity;

1.181	<b>"Participant"</b>	a person that holds in custody and administers securities or an interest in securities and that has been accepted by the Central Securities Depository as a participant in terms of the Financial Markets Act;
1.182	<b>"Payment Date"</b>	the 22 <sup>nd</sup> day of every month on which the Issuer pays, or makes provision for the payment of, amounts owing to creditors of the Issuer;
1.183	<b>"Permitted Investments"</b>	investments in which the Issuer is entitled to invest cash from time to time standing to the credit of the Bank Accounts, namely:
1.183.1		cash deposited with an Approved Entity;
1.183.2		any debt instrument which has the Required Credit Rating or which is issued or secured or guaranteed by an Approved Entity;
1.183.3		any negotiable instruments accepted, drawn or endorsed, by an Approved Entity; and
		being in all cases:
1.183.3.1		purchased at or below face value;
1.183.3.2		purchased in Rand;
1.183.3.3		has the Required Credit Rating; and
1.183.3.4		an investment which has a maturity date at least 2 Business Days prior to the next Payment Date on which such funds will be required to make any payment due by the Issuer;
1.184	<b>"Portfolio Covenants"</b>	the criteria that the aggregate portfolio of Home Loans owned by the Issuer must satisfy, after the acquisition of each Home Loan under the Home Loan Sale Agreement, as set out in Schedule 4 to the Home Loan Sale Agreement as may be amended from time to time, provided that the Rating Agency is furnished at least 10 Business Days prior written notice of the proposed amendment and does not notify the Issuer in writing that such amendment may cause it to downgrade or withdraw its respective current Rating(s) of the Notes in issue;
1.185	<b>"Post-Enforcement Priority of Payments"</b>	the order in which payments shall be made from the Transaction Account, after the delivery of an Enforcement Notice, as set out in the Management Agreement;
1.186	<b>"Potential Event of Default"</b>	any event or the existence of any circumstances which, with the giving of notice and the expiry of any applicable notice period, any determination of materiality, the satisfaction or non-satisfaction of any applicable condition, or any combination of them would bring about an Event of Default;
1.187	<b>"Potential Purchase Amount"</b>	an amount determined on each Determination Date, prior to the application of funds on the following Payment Date, as follows:

1.187.1		the Outstanding Principal Amount of the Notes on such Determination Date; plus
1.187.2		the outstanding principal amount of the Subordinated Loans on such Determination Date; less
1.187.3		the Principal Balances of the Home Loans on such Determination Date; less
1.187.4		the Outstanding Principal Amount of the Matured Class E Notes on such Determination Date
		provided that the Potential Purchase Amount shall never be less than zero;
1.188	<b>"Potential Redraw Amount"</b>	in respect of a Home Loan at any time, the aggregate monies which the Borrower is entitled to draw, and the Home Loan Lender is obliged to advance, at such time in accordance with the provisions of the Home Loan Agreement concluded by such Borrower;
1.189	<b>"Pre-Enforcement Priority of Payments"</b>	the Pre-Enforcement Priority of Payments applicable during the Revolving Period and the Pre-Enforcement Priority of Payments applicable during the Amortisation Period;
1.190	<b>"Pre-Enforcement Priority of Payments applicable during the Amortisation Period"</b>	the order in which payments shall be made from the Transaction Account during the Amortisation Period and prior to delivery of an Enforcement Notice pursuant to an Event of Default, as set out in the Management Agreement;
1.191	<b>"Pre-Enforcement Priority of Payments applicable during the Revolving Period"</b>	the order in which payments shall be made from the Transaction Account during the Revolving Period and prior to delivery of an Enforcement Notice pursuant to an Event of Default, as set out in the Management Agreement;
1.192	<b>"Pre-Funding Amount"</b>	an amount equal to the difference between (i) the sum of the net <i>proceeds of the Notes issued on an Issue Date and the monies advanced under the Subordinated Loan on such Issue Date</i> ; and (ii) the amount paid by the Issuer to the Seller in respect of the purchase consideration for Home Loans on such Issue Date, as specified in the Applicable Pricing Supplement;
1.193	<b>"Pre-Funding Period"</b>	the period beginning on (and including) the relevant Issue Date and ending on (but excluding) the second Interest Payment Date after such Issue Date or such other date, as specified in the Applicable Pricing Supplement;
1.194	<b>"Preference Shares"</b>	the cumulative redeemable preference shares with a nominal value of one cent each in the issued share capital of the Issuer;
1.195	<b>"Preference Shareholders"</b>	the registered holders from time to time of the Preference Shares, initially being EFC;

1.196	<b>"Preference Share Subscription Agreement"</b>	the agreement entered into between the Preference Shareholder, and the Issuer relating to the subscription for the Preference Shares, as amended, novated and/or substituted from time to time, in accordance with its terms;
1.197	<b>"Prepayment Notes"</b>	those Class A Notes specified as such in the Applicable Pricing Supplements, which in the event that an amount is allocated in terms of the Priority of Payments for the mandatory redemption of the Notes pursuant to Condition 7.4.1, will be redeemed in full prior to the redemption of the other Class A Notes;
1.198	<b>"Prepayments"</b>	principal repayments received under a Home Loan in excess of the minimum scheduled Instalments which a Borrower is obliged to pay;
1.199	<b>"Prime Rate"</b>	the publicly quoted annual prime lending rate of interest from time to time levied by Absa on unsecured overdrawn current accounts (as certified by any manager of that bank whose authority and/or appointment need not be proved), nominal annual compounded monthly in arrear;
1.200	<b>"Principal Amount"</b>	in relation to a Note, the nominal amount of that Note on the Issue Date;
1.201	<b>"Principal Balance"</b>	at any time, in respect of the aggregate of:
1.201.1		the original principal amount advanced to the Borrower; plus
1.201.2		any advance of further moneys to the Borrower and any other amounts due under the terms of the Home Loan Agreement that are capitalised and remain outstanding; less
1.201.3		any Repayments and Prepayments of amounts falling in the previous 2 sub-paragraphs; less
1.201.4		any amount written off in respect of a Home Loan where the Servicer has reduced the Principal Balance of such Home Loan to zero on account of that amount being irrecoverable in accordance with the Servicer's customary procedures from time to time;
1.202	<b>"Principal Collections"</b>	at any time, the aggregate amount of Repayments, Prepayments, recoveries, enforcement proceeds and Insurance Proceeds (to the extent they relate to principal) and any other amounts received by or on behalf of a Borrowers to the extent to which they relate to the principal owing in respect of the Home Loans, received during the immediately preceding Collection Period in respect of the Home Loans;
1.203	<b>"Principal Deficiency"</b>	an amount equal to the <b>"Liabilities"</b> expected to exist, as at close of business on the immediately succeeding Payment Date after having made all payments in accordance with the Priority of Payments on that Payment Date, less the <b>"Assets"</b> expected to exist on the immediately succeeding Payment Date after having made all payments in accordance with the Priority of Payments on that Payment Date, where <b>"Liabilities"</b> means:

- 1.203.1 the aggregate Outstanding Principal Amount of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes on the last day of the immediately preceding Collection Period; less
- 1.203.2 the amount allocated in the Pre-Enforcement Priority of Payments for the redemption of the Notes on the immediately succeeding Payment Date; plus
- 1.203.3 the aggregate principal amount outstanding under the Redraw Facility on the last day of the immediately preceding Collection Period; less
- 1.203.4 the amount allocated in the Priority of Payments to repayment of principal amounts outstanding under the Redraw Facility on the immediately succeeding Payment Date;
- 1.203.5 and "Assets" means:
- 1.203.6 the aggregate Principal Balances of the Home Loans on the last day of the immediately preceding Collection Period; plus
- 1.203.7 the amount allocated in the Pre-Enforcement Priority of Payments to purchase Additional Home Loans on the immediately succeeding Payment Date,
- provided that the Principal Deficiency shall never be less than zero;
- 1.204 **"Priority of Payments"** the Pre-Enforcement Priority of Payments applicable during the Revolving Period, the Pre-Enforcement Priority of Payments applicable during the Amortisation Period or the Post-Enforcement Priority of Payments, as the case may be;
- 1.205 **"Programme"** the asset backed Note programme set out in the Programme Memorandum under which the Issuer may from time to time issue Notes;
- 1.206 **"Programme Agreement"** the agreement between *inter alia* the Issuer and the Dealer(s) in relation to the establishment of the Programme and the placement of Notes on behalf of the Issuer under the Programme, as amended, novated and/or substituted from time to time in accordance with its terms;
- 1.207 **"Programme Limit"** the maximum Outstanding Principal Amount of Notes that may be in issue by the Issuer under the Programme at any point in time, as specified in the Applicable Pricing Supplement;
- 1.208 **"Programme Memorandum"** this amended and restated information memorandum issued by the Issuer providing revised and updated information about the Issuer, the Notes and incorporating the Terms and Conditions;
- 1.209 **"Property"** in relation to each Home Loan, the fixed immovable residential property (including sectional title property) situated in South Africa owned by the Borrower;

1.210	<b>"Property Guarantee"</b>	a property guarantee to be issued or caused to be issued by an Accredited Attorney in favour of a Borrower's nominee(s) as may be required by the Borrower pursuant to the Home Loan Agreement concluded by such Borrower;
1.211	<b>"PTI Ratio"</b>	payment to monthly income ratio, being the ratio of the minimum required Instalment payable under a Home Loan Agreement to the combined gross monthly income of the Borrower concerned and such Borrower's spouse and/or live-in partner and/or any Surety for such Borrower or such other amount or person as the Rating Agency, upon written request by the Issuer, confirms in writing will not adversely affect the then current Rating of the Notes (which income comprises basic salary and travel allowance);
1.212	<b>"Purchase Price"</b>	the purchase price for the Home Loans sold by the Seller to the Issuer pursuant to the Home Loan Sale Agreement comprising:
1.212.1		the Principal Balance of such Home Loan on the relevant Transfer Date; and
1.212.2		Accrued Interest on such Home Loan unpaid on the relevant Transfer Date; and
1.212.3		any other amounts charged in respect of such Home Loan to the Borrower's account but unpaid on the relevant Transfer Date;
1.213	<b>"Purchases Reserve"</b>	part of the monies standing to the credit of the Transaction Account, into which amounts set aside in terms of the Priority of Payments for the acquisition of Additional Home Loans will be paid;
1.214	<b>"Purchases Reserve Cap"</b>	5% of the aggregate Outstanding Principal Amount of the Notes in issue from time to time, prior to the application of funds on such Payment Date;
1.215	<b>"Quarterly Payment Date"</b>	the Payment Dates falling in January, April, July and October of each year;
1.216	<b>"R" or "Rand"</b>	the lawful currency of South Africa;
1.217	<b>"Rate Determination Date"</b>	in respect of each Interest Period for a Tranche of Floating Rate Notes, <i>the day falling on the first day of that Interest Period or, if such day is not a Business Day, the first following day that is a Business Day</i> , being the day upon which the Interest Rate in respect of that Tranche of Floating Rate Notes for that Interest Period will be determined by the Calculation Agent in accordance with Condition 6.2.3;
1.218	<b>"Rated Notes"</b>	all Tranches of Notes that are assigned a Rating by the Rating Agency on the Issue Date of such Tranches of Notes or such later date;
1.219	<b>"Rating"</b>	in relation to the Notes, a rating granted by the Rating Agency, which Rating shall be a long-term, Rand, national scale rating by the Rating Agency;

1.220	<b>"Rating Affirmation"</b>	in respect of anything done under any Transaction Document, a written confirmation, upon written request by the Issuer, from the Rating Agency that the doing of that thing will not cause it to downgrade or withdraw its respective current Ratings of the Notes (a letter or other written communication from the Rating Agency being conclusive evidence of its contents for all purposes under the Transaction Documents);
1.221	<b>"Rating Agency"</b>	an internationally recognised rating agency, appointed by the Issuer to assign a Rating to any Notes issued by the Issuer, as specified in the Applicable Pricing Supplement. It is recorded that Moody's is an acceptable Rating Agency;
1.222	<b>"Re-advance"</b>	a re-advance to the relevant Borrower, in terms of the Home Loan Agreement concluded by such Borrower (the terms of which Home Loan Agreement will determine whether the re-advance to the Borrower is discretionary or obligatory), of a portion of the principal of such Borrower's Home Loan, which principal has previously been repaid by such Borrower (ie, a re-advance of Repayments but excluding Prepayments);
1.223	<b>"Redraw"</b>	a re-advance to the relevant Borrower, in terms of the Home Loan Agreement concluded by such Borrower (the terms of which Home Loan Agreement will determine whether the re-advance to the Borrower is discretionary or obligatory) , of a portion of the principal of such Borrower's Home Loan, which principal has previously been repaid by such Borrower in excess of the minimum required Instalments (ie a re-advance of Prepayments);
1.224	<b>"Redraw Facility"</b>	a committed Rand denominated revolving facility, provided by the Redraw Facility Provider in terms of the Redraw Facility Agreement;
1.225	<b>"Redraw Facility Agreement"</b>	the agreement between the Issuer, the Security SPV, the Servicer and the Redraw Facility Provider setting out the terms of the Redraw Facility, as amended from time to time in accordance with its terms;
1.226	<b>"Redraw Facility Limit"</b>	an amount equal to or greater than 50% (fifty percent) of the Potential Redraw Amount;
1.227	<b>"Redraw Facility Provider"</b>	Absa and its successors-in-title, in its capacity as lender under the Redraw Facility Agreement, or such other person as may be appointed as lender in accordance with the provisions of the Redraw Facility Agreement;
1.228	<b>"Redemption Date"</b>	each date on which any Notes are to be redeemed, partially or finally, as the case may be, in terms of the Terms and Conditions;
1.229	<b>"Reference Banks"</b>	Absa, The Standard Bank of South Africa Limited, FirstRand Bank Limited, Nedbank Limited and each of their successors-in-title;
1.230	<b>"Refinanced Notes"</b>	the Notes which are to be redeemed from the proceeds of a new issue of Notes, as set out in Condition 2.5;
1.231	<b>"Register"</b>	the register of Noteholders maintained by the Transfer Agent;

- 1.232 **"Related Security"** all security documents in relation to a Home Loan, including any Guarantee SPV Guarantee (in relation to a Guaranteed Home Loan) and Mortgage Bonds, cession or endorsement or right to payment in respect of Insurance Contracts, suretyships, guarantees, indemnities, pledges, cessions of rights (including claims, rights of action, Home Loans, insurance policies), and any other collateral security for a Borrower's obligations under a Home Loan Agreement;
- 1.233 **"Repayments"** repayments of principal received under a Home Loan, excluding Prepayments;
- 1.234 **"Report Date"** the day which is 5 Business Days preceding a Payment Date;
- 1.235 **"Required Credit Rating"** means:
- 1.235.1 in the case of Permitted Investments, provided that the maximum term of such investment is 30 days or less (i) if a national scale credit rating has been assigned to the investment or entity, then at least P-1.za by Moody's on a short-term scale and A1.za by Moody's on a long-term scale or, in the case of any other Rating Agency (where applicable) the equivalent short-term national scale credit rating and long-term national scale credit rating of such Rating Agency, or (ii) if a global scale credit rating has been assigned to the investment or entity, then at least the global scale credit rating equivalent to P-1.za on the short-term scale and A1.za on the long-term scale or the equivalent of the relevant Rating Agency; or
- 1.235.2 in the case of Permitted Investments, provided that the maximum term of such investment is quarterly (i) if a national scale credit rating has been assigned to the investment or entity, then at least P-1.za by Moody's on a short-term scale and A1.za by Moody's on a long-term scale or, in the case of any other Rating Agency (where applicable) the equivalent short-term national scale credit rating and long-term national scale credit rating of such Rating Agency, or (ii) if a global scale credit rating has been assigned to the investment or entity, then at least the global scale credit rating equivalent to P-1.za on the short-term scale and A1.za on the long-term scale or the equivalent of the relevant Rating Agency; or
- 1.235.3 in respect of the Account Bank, the Derivative Counterparty, the Liquidity Facility Provider and the Redraw Facility Provider (i) if a national scale credit rating has been assigned to the entity, then at least P-1.za by Moody's on a short-term scale and at least A1.za by Moody's on a long-term scale or, in the case of any other Rating Agency (where applicable) the equivalent short-term or long-term national scale credit rating of such Rating Agency or (ii) if a global scale credit rating has been assigned to the entity, then the global scale credit rating equivalent to P-1.za on a short-term scale and A1.za on a long-term scale of the relevant Rating Agency; or



- 1.235.4 in respect of the GIC Provider (i) if a national scale credit rating has been assigned to the entity, then at least P-1.za by Moody's on a short-term scale and at least A1.za by Moody's on a long-term scale, or in the case of another Rating Agency (where applicable) the equivalent short-term national scale credit rating of such Rating Agency, or (ii) if a global scale credit rating has been assigned to the entity, then at least a global scale credit rating equivalent to P-1.za on a short-term scale and A1.za on a long-term scale of the relevant Rating Agency; or
- 1.235.5 in the case of other transaction parties required to hold the Required Credit Rating in terms of the Transaction Documents, the same national scale, national currency credit rating as that assigned, if any, by the Rating Agency to the highest-ranking Notes at any point in time (or the equivalent long or short-term global scale credit rating, as the case may be);
- 1.235.6 and provided that, in ease case, the respective entity has not been placed on rating watch negative by the Rating Agency, or
- 1.235.7 in each case, such other rating, if any, which the Rating Agency, upon written request by the Issuer, confirms in writing will not adversely affect its then current rating of the Notes; provided that if an investment or entity is not rated by the Rating Agency, then such investment or entity that the Rating Agency, upon written request by the Issuer, confirms in writing will not adversely affect its then current rating of the Notes;
- 1.236 **"Required Direct Employees Percentage"** the percentage of Home Loans advanced to employees who are directly employed by Eskom and not employed by a subsidiary company of Eskom or such other companies forming part of the Eskom group of companies in relation to the portfolio of Home Loans owned by the Issuer, as specified in the Applicable Pricing Supplement, which percentage on the Most Recent Evaluation Date may increase by 1% from the percentage determined at the previous Credit Enhancement Determination Date;
- 1.237 **"Required Interest Margin"** the margin between the 12 month rolling average of the Weighted Average Home Loan Rate and the 12 month rolling average at 3 month JIBAR, which is not less than 2.15% on any Interest Payment Date and the margin between the Weighted Average Home Loan Rate and 3 month JIBAR which is not less than 2.15% on any Interest Payment Date;
- 1.238 **"Required Maximum Average Outstanding Balance"** the Average Outstanding Balance in relation to the portfolio of Home Loans owned by the Issuer, which amount may on the Most Recent Evaluation Date be increased by R100 000.00 and the Rating Agency, upon written request by the Issuer, confirms in writing will not cause it to downgrade or withdraw its respective current Rating(s) of the Notes;
- 1.239 **"Required Maximum Second Property Percentage"** the percentage of Home Loans advanced in respect of second Properties of any Borrower in relation to the portfolio of Home Loans

owned by the Issuer, which percentage may on the Most Recent Evaluation Date increase by 1% from the percentage determined at the previous Credit Enhancement Determination Date;

1.240	<b>"Required Minimum Payroll Deduction Percentage"</b>	the percentage of Home Loans owned by the Issuer in relation to which the Borrower pays Instalments by way of an authorised payroll deduction, which percentage may on the Most Recent Evaluation Date decrease by 1% from the percentage determined at the previous Credit Enhancement Determination Date;
1.241	<b>"Required Weighted Average Current LTV Ratio"</b>	the Weighted Average Current LTV Ratio for the portfolio of Home Loans owned by the Issuer, which Weighted Average Current LTV Ratio may on the Most Recent Evaluation Date increase by 1% from the percentage determined at the previous Credit Enhancement Determination Date;
1.242	<b>"Required Weighted Average Original LTV Ratio"</b>	the Weighted Average Original LTV Ratio for the portfolio of Home Loans owned by the Issuer, which Weighted Average Original LTV Ratio may on the Most Recent Evaluation Date increase by 1% from the percentage determined at the previous Credit Enhancement Determination Date;
1.243	<b>"Required Weighted Average PTI Ratio"</b>	the Weighted Average PTI Ratio for the portfolio of Home Loans owned by the Issuer, which Weighted Average PTI Ratio may on the Most Recent Evaluation Date increase by 1% from the percentage determined at the previous Credit Enhancement Determination Date;
1.244	<b>"Reserve Account"</b>	a bank account held at the Account Bank, in the name of the Issuer, into which amounts representing the Arrears Reserve Required Amount are deposited;
1.245	<b>"Revolving Period"</b>	the period commencing on (and including) the Commencement Date and ending on (but excluding) the occurrence of an Early Amortisation Event;
1.246	<b>"Safe Custody Agent"</b>	the person with whom the Issuer has concluded the Safe Custody Agreement;
1.247	<b>"Safe Custody Agreement"</b>	the agreement between the Issuer, Absa acting through its Investor Services Division (or such other entity as the Issuer may elect to appoint as the Safe Custody Agent in relation to any particular Tranche or Series of Notes, as identified in the Applicable Pricing Supplement), CMB Nominees (Proprietary) Limited and the Security SPV in terms of which the Safe Custody Agent is appointed to provide safe custody and settlement services to the Issuer, as amended, novated and/or from time to time in accordance with its terms;
1.248	<b>"Scheduled Maturity Date"</b>	in relation to a Tranche of Notes, the date upon which the Issuer is expected, but not obliged, to redeem such Tranche of Notes in accordance with the Terms and Conditions as specified in the Applicable Pricing Supplement;

1.249	<b>"Secured Amounts"</b>	any and all of the amounts which are owed by the Issuer to the Secured Creditors under and pursuant to the Transaction Documents;
1.250	<b>"Secured Creditors"</b>	EFC and each of the creditors of the Issuer set out in the Priority of Payments that is a party to a Transaction Document;
1.251	<b>"Secured Property"</b>	the property, assets, rights and undertakings for the time being subject to the Security granted pursuant to the Security Agreements;
1.252	<b>"Securitisation Scheme"</b>	the traditional securitisation scheme in terms of the Securitisation Regulations as contemplated by the Programme;
1.253	<b>"Securitisation Regulations"</b>	Government Notice number 2 published in Government Gazette number 30628 dated 1 January 2008;
1.254	<b>"Security"</b>	the security created pursuant to the Security Agreements;
1.255	<b>"Security Agreements"</b>	the Owner Trust Suretyship, Owner Trust Pledge, Security Cessions and Issuer Indemnity furnished or procured by the Issuer to the Security SPV;
1.256	<b>"Security Cessions"</b>	the cessions by the Issuer in favour of the Security SPV, by way of a <i>cession-in-securitatem debiti</i> , of all the Issuer's rights, title and interest in and to each Home Loan, Home Loan Agreement, Guarantee SPV Guarantee, Insurance Contract, Insurance Proceeds and other Related Security in respect of the portfolio of Home Loans owned by the Issuer from time to time, the Business Proceeds, the Bank Accounts, the Account Monies, the Permitted Investments and the Transaction Documents;
1.257	<b>"Security Interest"</b>	any mortgage, pledge, lien, equity option, Encumbrance, right of set-off, adverse right or interest whatsoever, howsoever created or arising;
1.258	<b>"Security SPV"</b>	Nqaba Finance 1 Security SPV (RF) (Proprietary) Limited, a private Company with limited liability registered and incorporated in accordance with the laws of South Africa under registration number 2005/036141/07 and its successors in title and assigns;
1.259	<b>"Security SPV Guarantee"</b>	the guarantee granted by the Security SPV to Secured Creditors;
1.260	<b>"Security SPV Owner Trust"</b>	the Nqaba Finance 1 Security SPV Owner Trust, a trust established in accordance with the laws of South Africa, with Master's reference number IT 2811/06, which beneficially owns all the shares in the issued share capital of the Security SPV;
1.261	<b>"Security SPV Owner Trustee"</b>	the trustee for the time being of the Security SPV Owner Trust;
1.262	<b>"Seller"</b>	in relation to each Home Loan Agreement, EFC or another Approved Originator, who is defined as the seller in the Home Loan Sale Agreement, being the party named as Initial Lender in such Home Loan Agreement (whether originally or as a permitted assignee);
1.263	<b>"Series"</b>	the Notes comprised of a Tranche of Notes together with any other Tranche or Tranches of Notes which are:

- 1.263.1 expressed in the Applicable Pricing Supplement to be consolidated and form a single series of Notes; and
- 1.263.2 identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;
- 1.264 **"Servicer"** EFC or another Approved Originator, who is defined as the Servicer in the Servicing Agreement, or such other person as may be appointed as servicer under the terms of the Servicing Agreement;
- 1.265 **"Servicer Event of Default"** any event or condition defined as such in Clause 16 of the Servicing Agreement;
- 1.266 **"Services"** the services to be provided by the Servicer to the Issuer and the Security SPV pursuant to the Servicing Agreement;
- 1.267 **"Servicing Agreement"** the agreement between the Issuer, the Servicer, the Back-Up Servicer, the Manager and the Security SPV relating to the servicing of Home Loans, as amended, novated and/or substituted from time to time in accordance with its terms;
- 1.268 **"Servicing Fee"** the fee payable to the Servicer and determined in accordance with the provisions of the Servicing Agreement;
- 1.269 **"Settlement Agents"** means those Participants, as settlement agents to perform electronic settlement of funds and scrip on behalf of market participants;
- 1.270 **"Settlement Dates"** means the dates determined by the Issuer and the Dealer(s), as the dates on which subscribers for each Tranche of Notes shall be obliged to pay the subscription price for the relevant Notes, which shall correspond to the relevant Issue Date;
- 1.271 **"South Africa"** the Republic of South Africa;
- 1.272 **"Specified Office"** in relation to each of the Issuer, Security SPV, the Manager, the Servicer, the Calculation Agent and the Transfer Agent, the address of the office specified in respect of such entity at the end of the Programme Memorandum, or such other address as is notified by such entity (or, where applicable, a successor to such entity) to the Noteholders in accordance with Condition 17, as the case may be;
- 1.273 **"Subordinated Lender(s)"** EFC, its successors-in-title or assigns in its capacity as lender under the Subordinated Loan Agreement, or such other person as may be appointed as lender in accordance with the provisions of a Subordinated Loan Agreement;
- 1.274 **"Subordinated Loan(s)"** the capital sum lent and advanced to the Issuer by the Subordinated Lender pursuant to a Subordinated Loan Agreement, simultaneously with the issue of a Tranche or Tranches of Notes, for the purposes specified in the Applicable Pricing Supplement;

1.275	<b>"Subordinated Loan Agreement(s)"</b>	an agreement entered into between the Issuer, the Subordinated Lender and the Security SPV, as amended from time to time in accordance with its terms;
1.276	<b>"Subordinated Notes"</b>	all the Notes issued on each Issue Date, other than the Class A Notes issued on that Issue Date;
1.277	<b>"Subsidiary"</b>	is as defined in the Companies Act;
1.278	<b>"Substitute Servicer"</b>	such person as may be appointed as substitute servicer under the terms of the Servicing Agreement;
1.279	<b>"Sureties"</b>	the persons or entities who stand surety for, or guarantee the obligations of, a Borrower or provide any other collateral security for a Borrower's obligations in terms of a Home Loan Agreement;
1.280	<b>"System"</b>	the computerised accounts and information management system utilised by the Servicer in relation to the Services;
1.281	<b>"Taxes"</b>	all present and future taxes, levies, imposts, duties, charges, fees, deductions and withholdings imposed or levied by any governmental, fiscal or other competent authority in South Africa or any other jurisdiction from which any payment is made (and including any penalty payable in connection with any failure to pay, or delay in paying, any of the same) and "Tax" and "Taxation" shall be construed accordingly;
1.282	<b>"Tax Event"</b>	the Issuer becoming obliged to withhold or deduct amounts in respect of the Notes for or on account of any present or future Taxes imposed, levied, collected, withheld or assessed by, or on behalf of, South Africa or any political subdivision of, or any authority or agency in or of, South Africa having power to tax;
1.283	<b>"Term"</b>	in relation to each Advance, means the period for which such Advance is borrowed as specified in the Drawdown Notice relating to such Advance, the last day of which shall be the next Payment Date;
1.284	<b>"Terms and Conditions"</b>	in relation to a Tranche of Notes, the terms and conditions of the Notes set out in the section of the Programme Memorandum headed " <i>Terms and Conditions of the Notes</i> ", read with the Applicable Pricing Supplement;
1.285	<b>"Tranche"</b>	all Notes which are identical in all respects (including as to listing) and are issued in a single issue;
1.286	<b>"Transaction Account"</b>	the bank account held at the Account Bank, in the name of the Issuer;
1.287	<b>"Transaction Documents"</b>	the Common Terms Agreement, the Home Loan Sale Agreement, the Servicing Agreement, the Liquidity Facility Agreement, the Redraw Facility Agreement, the Subordinated Loan Agreement, the Management Agreement, the Bank Agreement, the Guaranteed Investment Contract, the Security Agreements, the Security SPV Guarantee, the Preference Share Subscription Agreement, the Notes, the Programme Agreement, the Programme Memorandum, any Note Subscription Agreement, the agreements entered into from time to time

		with Derivative Counterparties, the Safe Custody Agreement, the trust deed of the Owner Trust, the trust deed of the Security SPV Owner Trust, the memorandum of incorporation of the Issuer and the Security SPV and agreements that may be entered into from time to time with Approved Originators;
1.288	<b>"Transfer Agent"</b>	the Manager, unless the Issuer elects to appoint another entity as Transfer Agent in relation to a particular Tranche of Notes, in which event that other entity shall act as Transfer Agent in respect of that Tranche of Notes;
1.289	<b>"Transfer Date"</b>	the effective date of a sale by the Seller of a Home Loan to the Issuer or by the Issuer of a Home Loan to the Seller, as the case may be, pursuant to the Home Loan Sale Agreement;
1.290	<b>"Transfer Form"</b>	in relation to the transfer of a Note as contemplated in the Terms and Conditions, means a form of transfer in the usual form or in such other form approved by the Transfer Agent;
1.291	<b>"Transitional Home Loan"</b>	a Mortgaged Home Loan sold and transferred to the Issuer on credit pending a Note issue, drawn from the portfolio of Home Loans identified in the offer notice in terms of the Home Loan Sale Agreement as a bulk portfolio of Home Loans intended to increase the capital value of the portfolio of Home Loans owned by the Issuer and to be funded from the proceeds of a Note issue and related Subordinated Loans (as distinct from Home Loans identified in the offer notice in terms of the Home Loan Sale Agreement to maintain the Capital value of the portfolio of Home Loans owned by the Issuer and to be funded from the reinvestment of Principal Collections);
1.292	<b>"Uncertificated Securities Register"</b>	the register of uncertificated Notes administered and maintained by a Participant or the Central Securities Depository, as determined in accordance with the Applicable Procedures and which forms part of the Register;
1.293	<b>"Usury Act"</b>	the Usury Act, 1968;
1.294	<b>"VAT"</b>	value added tax imposed in terms of the Value-Added Tax Act, 1991, or any similar tax imposed in place thereof from time to time;
1.295	<b>"Weighted Average Current LTV Ratio"</b>	the aggregate of the weighted average of all Current LTV Ratios, calculated for each individual Borrower as follows: <p style="margin-left: 40px;">A x B/C</p> <p style="margin-left: 40px;">Where:</p> <p style="margin-left: 40px;">A = Current LTV Ratio;</p> <p style="margin-left: 40px;">B = Principal Balance; and</p> <p style="margin-left: 40px;">C = Principal Balance of the portfolio of Home Loans owned by the Issuer;</p>

- 1.296 **"Weighted Average Home Loan Rate"** the aggregate of the weighted average of all Home Loan Rates in relation to the portfolio of Home Loans owned by the Issuer;
- 1.297 **"Weighted Average Original LTV Ratio"** the aggregate of the weighted average of all Original LTV Ratios, calculated for each individual Borrower as follows:
- $A \times B/C$
- Where:
- A = Original LTV Ratio;
- B = Principal Balance; and
- C = Principal Balance of the portfolio of Home Loans owned by the Issuer; and
- 1.298 **"Weighted Average PTI Ratio"** the aggregate of the weighted average of all PTI Ratios calculated for each Borrower at the end of each month.

2. For the purposes of the Transaction Documents:

- 2.1 words denoting the singular number only shall include the plural number also and vice versa, words denoting one gender only shall include the other genders and words denoting persons only shall include firms and corporations and vice versa;
- 2.2 a reference to clause or schedule is a reference to a clause of or a schedule to any document;
- 2.3 references to the "assets" of any person shall be construed as a reference to the whole or any part of its business, undertaking, property, shareholdings, assets and revenues (including any right to receive revenues);
- 2.4 headings and sub-headings are inserted for convenience only;
- 2.5 references to "law" or "Applicable Law" shall include any present or future common law, statute, statutory instrument, treaty, regulation, directive, order, decree, other legislative measure;
- 2.6 where any term is defined within a particular paragraph, that term shall bear the meaning ascribed to it in that paragraph wherever it is used;
- 2.7 the use of the word "including" followed by a specific example(s) shall not be construed as limiting the meaning of the general wording preceding it and the *eiusdem generis* rule shall not be applied in the interpretation of such general wording or such specific example(s). Such references to "including" and "in particular" shall not be construed restrictively but shall mean "including, without prejudice to the generality of the foregoing" and "in particular, but without prejudice to the generality of the foregoing" respectively;
- 2.8 any reference to any statute, regulation or other legislation shall be a reference to that statute, regulation or other legislation as at the Date of Signature of the relevant Transaction Document, and as amended or substituted from time to time;
- 2.9 if any provision in a definition is a substantive provision conferring a right or imposing an obligation on any party then, notwithstanding that it is only in a definition, effect shall be given to that provision as if it were a substantive provision in the body of the Transaction Document;

- 2.10 except where otherwise specified, where any number of days is to be calculated from a particular day, such number shall be calculated as inclusive of the first day and exclusive of the last day. If the last day of such number so calculated falls on a day which is not a Business Day, the last day shall be deemed to be the immediately preceding day which is a Business Day;
- 2.11 any reference to days (other than a reference to Business Days), months or years shall be a reference to calendar days, months or years, as the case may be;
- 2.12 any term which refers to a South African legal concept or process (for example, without limiting the foregoing, winding-up or curatorship) shall be deemed to include a reference to the equivalent or analogous concept or process in any other jurisdiction in which the Transaction Document may apply or to the laws of which a party may be or become subject;
- 2.13 the *contra proferentem* rule shall not be applied in the interpretation of a Transaction Document.



## ACCOUNTANTS' REPORT

*The following is the text of the letter by the Auditors of the Issuer confirming that each issue of Notes under the Programme as detailed in the Programme Memorandum complies in all respects with the provisions of the Securitisation Regulations promulgated in Government Notice 2 (Government Gazette No. 30682, 1 January 2008) pursuant to the provisions of the Banks Act, 1990.*

**"REPORT OF THE INDEPENDENT AUDITORS OF NQABA FINANCE 1 (RF) LIMITED ON COMPLIANCE OF THE ISSUE BY NQABA FINANCE 1 (RF) LIMITED OF SECURED NOTES PURSUANT TO THE ASSET BACKED NOTE PROGRAMME AS DESCRIBED IN THE PROGRAMME MEMORANDUM DATED 06 JULY 2020 WITH THE RELEVANT PROVISIONS OF THE SECURITISATION REGULATIONS (GOVERNMENT NOTICE 2, GOVERNMENT GAZETTE 30628 OF 1 January 2008) ISSUED BY THE REGISTRAR OF BANKS, AS REQUIRED BY PARAGRAPHS 15(1)(a)(ii) AND 16(2)(a)(vii) OF THE SAID NOTICE.**

### 1. Introduction

As required by Paragraph 15(1)(a)(ii) and 16(2)(a)(vii) of the Securitisation Regulations (Government Notice 2, Government Gazette 30628 of 1 January 2008) issued by the Registrar of Banks (the "**Securitisation Regulations**"), we have reviewed whether or not the issue of limited recourse secured registered Notes by Nqaba Finance 1 (RF) Limited (the "**Issuer**") with an aggregate Principal Amount of up to R5 000 000 000 (the "**Notes**") pursuant to the Asset Backed Note Programme (the "**Programme**"), as documented in the Programme Memorandum dated 06 July 2020 (the "**Programme Memorandum**"), will be compliant with the relevant provisions of the Securitisation Regulations. We conducted our review in accordance with the statement of South African Auditing Standards applicable to review engagements.

Compliance with the relevant provisions of the Securitisation Regulations is the responsibility of the Issuer. We report on such compliance.

### 2. Scope

Our review was generally limited to an examination of the Programme Memorandum, with regard to compliance with the relevant provisions of the Securitisation Regulations.

It should be recognised that our review did not constitute an audit and may not necessarily have revealed all material facts.

### 3. Findings

Our review revealed nothing which caused us to believe that the Issuer will not be in compliance with the relevant provisions of the Securitisation Regulations with regard to the issue of the Notes, pursuant to the Programme and with regard to the conduct of the scheme, as described in the Programme Memorandum.

Yours faithfully

SizweNtsalubaGobodo Grant Thornton Inc

*Registered Accountants and Auditors*

*Chartered Accountants (SA)*

Johannesburg

[●]"

## GENERAL INFORMATION

### Authorisation

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of South Africa have been given for the establishment of the Programme and the issue of Notes and for the Issuer to undertake and perform its respective obligations under the Programme Agreement and the Notes. As at the date of this Programme Memorandum, no approval from the Exchange Control Department of the South African Reserve Bank is required for the establishment of the Programme or this Programme Memorandum.

### Banks Act, 1990

The Registrar of Banks has confirmed in writing that the Issuer is authorised to issue commercial paper pursuant to the Securitisation Scheme in terms of paragraph 14(1)(b)(ii) of the Securitisation Regulations.

Compliance with the Securitisation Scheme remains the responsibility of the Issuer.

### No Prior Trading

Save as disclosed in this Programme Memorandum and save as required pursuant to the Transaction Documents, the Issuer has not traded from and including the date of its incorporation, being 11 November 2005, up to the Initial Issue Date.

### Material Change

After due and careful inquiry, there has been no material change in the financial or trading position of the Issuer since the date of the Issuer's latest audited financial statements. As at the date of this amended and restated Programme Memorandum, there has been no involvement by SizweNtsalubaGobodo Grant Thornton Inc in making the aforementioned statement.

### Listing

This Programme Memorandum was registered by the JSE on 06 July 2020. Notes to be issued under the Programme may be listed on the Interest Rate Market of the JSE or any successor exchange and/or such other or further exchange(s) as may be agreed between the Issuer and the Dealer(s) and subject to any relevant ruling law. Unlisted Notes may also be issued. Unlisted Notes are not regulated by the JSE.

### Litigation

Neither the Security SPV nor the Issuer is not engaged (whether as defendant or otherwise) in any legal, arbitration, administration or other proceedings other than those disclosed in this Programme Memorandum, if any, the results of which might have or have had a significant effect on the financial position or the operations of the Issuer or the Security SPV, as the case may be, nor is it aware of any such proceedings being threatened or pending.

### Auditors

SizweNtsalubaGobodo Grant Thornton Inc are the current auditors of the Issuer.

### Documents

So long as the Programme remains registered with the JSE, one copy of this Programme Memorandum and each of the documents referred to in the section of this Programme Memorandum headed "*Documents Incorporated by Reference*" will be available for inspection at the Specified Office of the Issuer.

Signed at Johannesburg on behalf of Nqaba Finance 1 (RF) Limited on

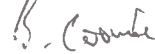
6 July 2020.



Douglas Austen Director  
Lorimer

Signed at Johannesburg on behalf of Nqaba Finance 1 (RF) Limited on

6 July 2020.



Director  
PETER BRIAN ELLIS COMBE

**CORPORATE INFORMATION****ISSUER**

**Nqaba Finance 1 (RF) Limited**  
 c/o Eskom Finance Company SOC Ltd  
 Megawatt Park  
 Maxwell Drive  
 Sunninghill 2157  
 Contact: Ettienne Bester  
 Telephone: 011 800 8111

**ARRANGER, DEALER AND DEBT SPONSOR****Absa**

15 Alice Lane  
 Sandown  
 Sandton, 2196  
 Private Bag X10056  
 Sandton, 2146  
 Contact: Marcus Veller/Shawn Ramsamuj  
 Email address: [IBDDCM@absa.africa](mailto:IBDDCM@absa.africa)

**MANAGER****Absa**

15 Alice Lane  
 Sandown  
 Sandton, 2196  
 Private Bag X10056  
 Sandton, 2146  
 Contact: Marcus Veller/Shawn Ramsamuj  
 Email address: [IBDDCM@absa.africa](mailto:IBDDCM@absa.africa)

**SERVICER****Eskom Finance Company SOC Ltd**

Megawatt Park  
 Maxwell Drive  
 Sunninghill 2157  
 PO Box 1091  
 Johannesburg, 2000

Contact: Ettienne Bester  
 Telephone: 011 800 8111

**ATTORNEYS TO THE ARRANGER AND THE ISSUER****Webber Wentzel**

90 Rivonia Road  
 Sandton  
 Johannesburg, 2196  
 PO Box 61771  
 Marshalltown, 2107  
 Contact: Lindi Marais  
 Email: [Lindi.Marais@webberwentzel.com](mailto:Lindi.Marais@webberwentzel.com)

**AUDITORS TO THE ISSUER****SizweNtsalubaGobodo Grant Thornton Inc**

1 Woodmead Drive  
 Woodmead Estate  
 Woodmead 2191  
 PO Box 2939  
 Saxonwold, 2132  
 Contact: Pravesh Hiralall  
 Email: [Pravesh.Hiralall@sng.gt.com](mailto:Pravesh.Hiralall@sng.gt.com)

**SECURITY SPV****Nqaba Finance 1 Security SPV (RF) (Proprietary) Limited**

c/o Maitland Trustees (Proprietary) Limited  
 32 Fricker Road  
 Illovo  
 Sandton, 2196  
 PO Box 781396  
 Sandton, 2146

Contact: Jesse Carberry  
 Email: [Jesse.Carberry@maitlandgroup.com](mailto:Jesse.Carberry@maitlandgroup.com)

**TRANSFER AGENT, SETTLEMENT AGENT AND CALCULATION AGENT****Absa**

15 Alice Lane  
 Sandown  
 Sandton, 2196

Private Bag X10056  
 Sandton, 2146  
 Contact: Marcus Veller/Shawn Ramsamuj  
 Email address: [IBDDCM@absa.africa](mailto:IBDDCM@absa.africa)

**SELLER****Eskom Finance Company SOC Ltd**

Megawatt Park  
 Maxwell Drive  
 Sunninghill 2157

PO Box 1091  
 Johannesburg, 2000  
 Contact: Ettienne Bester  
 Telephone: 011 800 8111

**SAFE CUSTODY AGENT****Absa Bank Limited, acting through its Investor Services Division**

6<sup>th</sup> Floor East 1 Wing, Absa Towers North  
 180 Commissioner Street  
 Johannesburg 2001  
 Private Bag X10056  
 Sandton, 2146  
 Contact: Head: Absa Investor Services  
 Email address: [IBDDCM@absa.africa](mailto:IBDDCM@absa.africa)