



Corporate and
Investment Banking

Standard Bank Africa Commodity
Index Exchange Traded Note

 Standard Bank

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Introduction to Commodities as an Asset Class

Commodities have been recognised in recent years as an asset class endowed with unique features and providing an interesting ingredient to a diversified financial portfolio. The principal benefits that may arise from adding commodity exposure to a portfolio are as follows:

- Commodity markets trade globally, offering distinct advantages in liquidity and the free flow of commodity information.
- Commodity returns generally exhibit negative correlation with returns from traditional asset classes such as equities and bonds.
- Low or negative correlation across commodity sectors provides further diversification benefits.
- Commodity returns are sometimes found to have a positive correlation with inflation hence providing a natural inflationary hedge.



The Standard Bank Africa Commodity Index (SBAFCI)

The SBAFCI is a passive ZAR based index, and aims to reflect a diversified basket of commodities calculated on the basis of their average African production value of the most recent five year period. To achieve more stable returns, commodity weights in the index are adjusted based on an aggregated risk measure of the commodity returns as outlined in the Index Rules Document. The weightings in the underlying commodities for the Index are determined through the application of maximum and minimum weight thresholds to redistribute commodity weights; this ensures that no single commodity or commodity sector dominates the SBAFCI. The index thus invests in four recognised commodity sub-sectors which include Base Metals, Precious Metals, Energy and Agricultural. The respective underlying commodities at the time of issue are Aluminium and Copper, Gold and Platinum, Crude Oil, Corn and Wheat.

The commodity weightings are revised annually as outlined in the Index Rules Document. The index constituents are rolled every two months into a more distant liquid contract as the near-dated future moves closer to expiry in terms of the agreed weighting across the set of future contracts that is set in accordance with the Index Rules Document.

The SBAFCI is a total return index, created from the near-dated USD commodity future, USD interest rates and the USD/ZAR exchange rate. The near-dated future is used as it is typically the most cost effective way of gaining exposure to commodities; this is then rolled every two months into the next liquid contract as the near-dated futures move closer to expiry.

As a total return index, the return is derived from the following four sources:

- 1) Performance of the commodity future contracts: change in the near-dated future's USD contract prices
- 2) USD deposit rate that accrues daily on the full value of the investment: overnight USD Libor less 0.125%
- 3) Change in USD/ZAR exchange rate
- 4) Roll and rebalancing yield: a result from rolling the current future into a distant future due to an approaching expiry.

The future positions will need to be rolled over into more distant contracts as the near dated contracts approach maturity. The rolling mechanism will begin 40 days prior to the expiry of any futures contract, with the position being rolled over a five-day period to reflect an average roll return. All futures contracts are pre-determined to ensure that only sufficiently liquid futures contracts are used.

When rolling from one future to another the full rand value is rolled into the next future, therefore if the next future's price is higher/lower than the near dated one, your exposure will decrease/increase such that a 1% change in the futures price still relates to a 1% change in the ETN price.

The Index was created by The Standard Bank of South Africa Limited ("Standard Bank") and launched on 18 August 2011 (the "Index Live Date") and is published live on Bloomberg, Index code: SBAFCI.

The Index Rules Document can be viewed on www.standardbank.co.za/etns



Standard Bank's Blue Access ETN Platform

In order to meet investor demand for access to new markets, Standard Bank has created the Blue Access ETN Platform. Blue Access operates through Standard Bank's ZAR60 billion Domestic Medium Term Note (DMTN) Programme. This platform provides investors with a cost-effective opportunity to invest in hard-to-reach markets through a local exchange.

ETNs are JSE Limited ("JSE") instruments that track the performance of an underlying instrument or index. These ETNs provide investors with a vehicle to access a market previously inaccessible to both individual and institutional South African investors. Standard Bank is the issuer and market maker of the notes and therefore facilitate the buying and selling of ETN positions thus ensuring the liquidity. Standard Bank ETNs will constitute senior unsecured unsubordinated obligations.

Standard Bank currently offers the following ETN's off its Blue Access ETN Platform:

Gold ETN – SBAG1	Silver ETN – SBAS1
Platinum ETN – SBAPL1	Palladium ETN – SBPD1
Corn ETN – SBACRN	Wheat ETN – SBAWHT
Oil ETN – SBAOIL	Copper ETN – SBACOP
Africa Equity Index ETN – SBAEI	
Africa Commodity Index ETN – SBACI	

The Standard Bank Africa Commodity Index ETN (SBACI)

Standard Bank's Africa Commodity Index Exchange Traded Note ("SBACI") provides investors with a rand denominated security to directly access the Standard Bank Africa Commodity Index, with no tracking error. The SBACI is listed on the JSE main board, off Standard Bank's existing Blue Access platform. Investors buy and sell the SBACI like any other equity over the exchange with Standard Bank acting as market maker thereby providing liquidity.

The SBACI return is derived from the following two sources:

- 1) Performance of the SBAFCI
- 2) Annual management fee of 50bps accrued daily.



Africa Commodity Index ETN General Specifications

Listing:

The ETN is listed on the JSE under the ETN sub-sector.

Trading:

SBACI can be bought and sold through any JSE-approved member.

Issuer and issuer credit rating:

The ETNs are issued by Standard Bank off its Blue Access platform or ZAR60 Billion Domestic Medium Term Note (DMTN) Programme. Standard Bank's credit rating is AA (ZAF) (Fitch Ratings: national rating for Standard Bank of South Africa as at 10 August 2011). This is the credit risk the investor is exposed to when purchasing the SBACI.

ACI ETN purchase price:

Each SBACI will be issued at a price of about R10 which equals 1/10th of the Index.

Liquidity and secondary market:

Standard Bank acts as the market maker and provides live intraday buy-and-sell prices on the JSE's equity trading platform between 9:10 and 16:49 (live prices are not provided in the opening and closing auction period).

Trading times:

JSE trading times are 9:10 to 16:49.

Cost of trading:

An annual discount rate of 0.50 percent is charged. Standard Bank also charges market related spreads between buy and sell prices.

Term:

The term of the notes is 10 years. Investors wishing to sell their notes prior to maturity can do so in the secondary market.

Performance:

The performance of the SBACI is the underlying SBAFCI performance multiplied by the USD/ZAR exchange rate. The African Commodity Index is available on Bloomberg under the ticker SBAFCI <GO>.

Exchange Control Rulings:

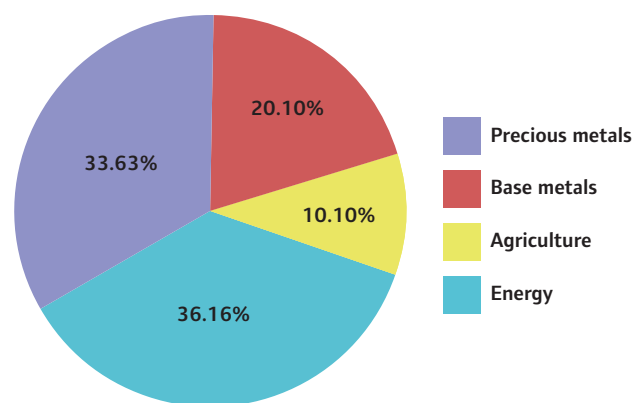
For individual and corporate South African Investors investing in the ETN there will be no impact on their foreign allocation limits. For institutional investors investing in the ETN usage of their applicable prudential limit would be required.



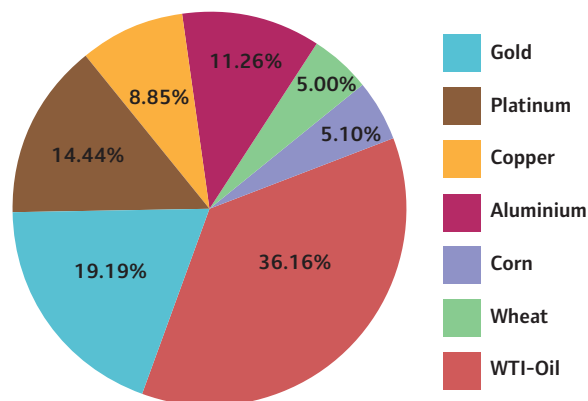
Standard Bank Africa Commodity Index Composition

The SBAFCI offers investors exposure to a basket of commodities, weighted in accordance to their Africa production in the last five years. Based on the current composition as of 18 August 2011, the SBAFCI has the following constituents:

Commodity Sector Weights

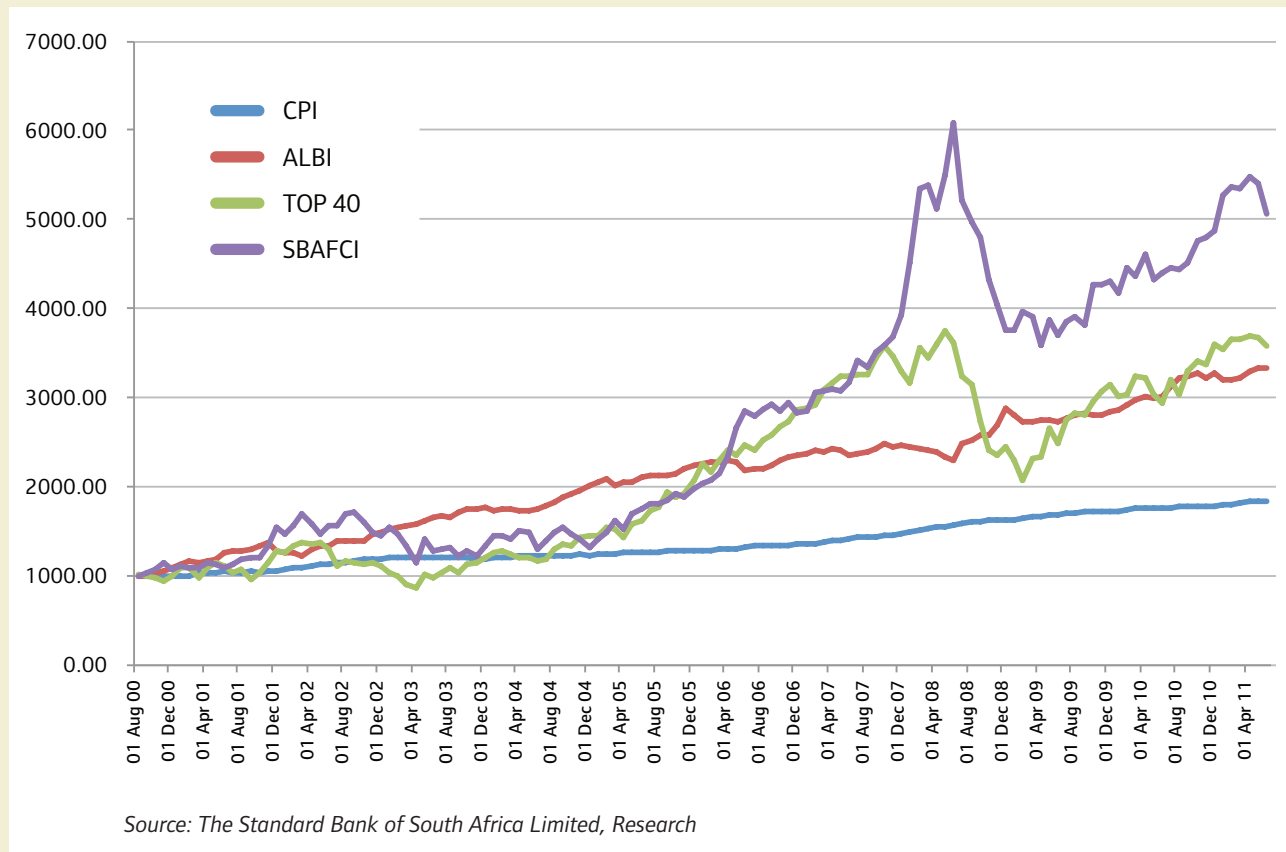


Commodity Weights



Simulated Historical Performance

Africa Commodity Index performance against other South African asset class indices dated from 1 August 2000 to 1 June 2011



Correlation of South Africa CPI against other market accepted indices

y/y	S&P Goldman Sachs	Reuters/Jefferies	Dow Jones UBS	Morningstar Long/Short	Deutsche Bank	Standard Bank
CPI(+3)	0.26	0.32	0.3	0.42	0.36	0.45
CPI(+6)	0.25	0.35	0.39	0.49	0.4	0.5

SBAFCI Construction and Calculation Methodology

The SBAFCI is constructed on the basis of a set of rigid and transparent procedures, a summary of which is given below. For a more in depth description of the SBAFCI calculation methodology, please refer to the Index Rules document on the Standard Bank website (refer to contact details).

The SBAFCI embodies four main principles in its design:

- **Simplicity and Transparency**

The overarching principle in the conception of the SBAFCI is simplicity and transparency in its construction and methodology, whilst maintaining a balanced representation of commodity trends in African production. A restricted set of commodity futures contracts allows for easy and transparent analysis of the impact of specific commodity sectors on the value of the SBAFCI. On top of it, a rolling methodology is applied focusing on those contract months with a high degree of liquidity, which aims to minimise the transaction costs of replicating the Index. Moreover, all commodities included in this index must be publicly traded on exchanges to ensure ease of tracking and verification. If a commodity trades on more than one exchange, the most liquid contract, in terms of trading volume and open interest combined, is selected.

- **Economic Significance**

The Index intends to fairly represent a diversified group of commodities in the African economy. For a commodity to be included in the Index, it needs to play a significant role in African production.

- **Continuity**

The Index intends to be responsive to the changing nature of African commodity markets in a manner that does not completely reshape the character of the Index from year to year. It is intended to provide a stable benchmark, so that users of the Index may be reasonably confident that historical performance data is based on a structure that bears some resemblance to both the current and future composition of the Index. This objective is supported by a conservative selection/rebalancing process and the diversification rules.

- **Diversification and Stability**

Disproportionate weighting of any particular single commodity or commodity sector increases risk and negates the concept of a broad-based and representative Index. Another goal of the Index is to provide diversified and stable exposure to commodities as an asset class. The following diversification rules have been established and are enforced every two calendar months, each time the Index is rolled and rebalanced:

- Neither Single Commodity nor Commodity Sector may constitute less than 5% of the Index.
- Neither Single Commodity nor Commodity Sector may constitute more than 40% of the Index.

In addition, specific weighting techniques are applied to those commodities which demonstrate a certain risk profile in order to target more stable returns.



Description of the SBAFCI

The Index is a long only broad-based commodity index with exposure to four Commodity Sectors.

The Index invests in seven USD denominated commodity futures (listed in separate exchanges).

All together the Index Commodity Basket is denominated in USD however converted to ZAR on Each Index Calculation Date.

The following is a product profile of the Single Commodities (denominated in USD) included in the Index Commodity Basket, as per the date of issue of this document:

Product profile of commodity futures

i	Single Commodity i	Commodity Sector	Root Symbol
1	LME Aluminum	Base Metal	LA
2	LME Copper	Base Metal	LP
3	NYMEX WTI Crude Oil	Energy	CL
4	COMEX Gold	Precious Metal	GC
5	NYMEX Platinum	Precious Metal	PL
6	CBT Corn	Agricultural	C
7	CBT Wheat	Agricultural	W

Rolling and Rebalancing

The Index is rolled and rebalanced every two calendar months. Each Index Roll happens over a period of five consecutive Index Calculation Dates, starting on the first Index Calculation Date of the Index Roll months, February, April, June, August, October and December.

During a Roll Period, the Index replicates positions in new futures contracts based on Contract Roll Weights and on the basis of new Adjusted Contract Productions Weights calculated on the corresponding Index Rebalancing Date.

On Index Roll Dates, the Index replicates reverse positions in the existing contracts (that is, contracts with shortest term to expiry) and positions in new contracts (i.e. contracts with second shortest term to expiry).

Contract Roll Weight

The following table shows Contract Roll Weights (that is, for each Single Commodity i , the weights associated to the existing contracts and the new contracts on each Index Roll Date) during a Roll Period:

Contract Roll Weights (CRWs) in a Roll Period

Index Roll Date	CRW for contracts with shortest term to expiry (CRW_t^L)	CRW for contracts with second shortest term to expiry (CRW_t^N)
1	0.8	0.2
2	0.6	0.4
3	0.4	0.6
4	0.2	0.8
5	0.0	1.0

Note: $CRW_t^N = 1 - CRW_t^L$

Roll Calendar

For each Single Commodity and each Index Roll Month, the following table provides the list of the contracts in which new positions are initiated:

Roll Calendar

i	Single Commodity i /Index Roll Month	Feb	Apr	Jun	Aug	Oct	Dec
1	LME Aluminum	May	Jul	Sep	Nov	Jan	Mar
2	LME Copper	May	Jul	Sep	Nov	Jan	Mar
3	NYMEX WTI Crude Oil	May	Jul	Sep	Nov	Jan	Mar
4	COMEX Gold	Jun	Aug	Dec	Dec	Feb	Apr
5	NYMEX Platinum	Jul	Jul	Oct	Jan	Jan	Apr
6	CBT Corn	Jul	Jul	Sep	Dec	Mar	Mar
7	CBT Wheat	Jul	Jul	Sep	Dec	Mar	Mar

Rebalancing Schedule

The Rebalancing Schedule coincides with the Roll Schedule.

Rebalancing Period

Each Rebalancing Period reflects the period between two Index Rebalancing Dates.



Contact Details

For product information:

Contact Standard Bank on ETNS@standardbank.co.za or +27 (0) 800 111 780

Visit us at www.standardbank.co.za/etns or www.warrants.co.za

To register for trade:

Log on to Online Share Trading at <https://securities.standardbank.co.za> to start building your own ETN portfolio or contact your JSE-approved stockbroker or financial advisor.

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