

APPLICABLE PRICING SUPPLEMENT



FIRSTRAND BANK

FIRSTRAND BANK LIMITED

(Registration Number 1929/001225/06)

(incorporated with limited liability in South Africa)

Issue of ZAR1,500,000,000 FRB11 Notes

Under its ZAR50,000,000,000 Domestic Medium Term Note Programme

This document constitutes the Applicable Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Terms and Conditions**”) set forth in the Programme Memorandum dated 29 November 2011 (the “**Programme Memorandum**”), as updated and amended from time to time. This Applicable Pricing Supplement must be read in conjunction with such Programme Memorandum. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and the Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail.

PARTIES

- | | | |
|----|-------------------------------------|--|
| 1. | ISSUER | FirstRand Bank Limited |
| | SPECIFIED OFFICE | 6 th Floor, 4 Merchant Place, Corner of Fredman Drive and Rivonia Road, Sandton, 2196, South Africa |
| 2. | IF NON-SYNDICATED, DEALER(S) | FirstRand Bank Limited, acting through its Rand Merchant Bank division |
| 3. | IF SYNDICATED, MANAGERS | N/A |
| 4. | DEBT SPONSOR | FirstRand Bank Limited, acting through its |

| | | |
|---|-------------------------------------|--|
| | | Rand Merchant Bank division |
| 5. | PAYING AGENT | FirstRand Bank Limited, acting through its Rand Merchant Bank division |
| | SPECIFIED OFFICE | 6 th Floor, 4 Merchant Place, Corner of Fredman Drive and Rivonia Road, Sandton, 2196, South Africa |
| 6. | CALCULATION AGENT | FirstRand Bank Limited, acting through its Rand Merchant Bank division |
| | SPECIFIED OFFICE | 6 th Floor, 4 Merchant Place, Corner of Fredman Drive and Rivonia Road, Sandton, 2196, South Africa |
| 7. | TRANSFER AGENT | FirstRand Bank Limited, acting through its Rand Merchant Bank division |
| | SPECIFIED OFFICE | 6 th Floor, 4 Merchant Place, Corner of Fredman Drive and Rivonia Road, Sandton, 2196, South Africa |
| 8. | STABILISING MANAGER (IF ANY) | N/A |
| | SPECIFIED OFFICE | N/A |
| PROVISIONS RELATING TO THE NOTES | | |
| 9. | STATUS OF NOTES | Subordinated |
| | | Unsecured |
| | | (Tier 2 Notes the proceeds of which are intended to qualify as Tier 2 Capital) |
| | | See Annexure B attached to this Applicable Pricing Supplement |
| | (a) Series Number | 11 |
| | (b) Tranche Number | 1 |
| 10. | ADDITIONAL CONDITIONS | Applicable – See Annexures A - F attached |

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| | | to this Applicable Pricing Supplement |
| 11. | PROVISIONS APPLICABLE TO CAPITAL NOTES | See Annexures A - F attached to this Applicable Pricing Supplement and applicable Capital Regulations |
| 12. | AGGREGATE PRINCIPAL AMOUNT OF TRANCHE | ZAR1,500,000,000 |
| 13. | INTEREST / PAYMENT BASIS | Floating Rate Notes |
| 14. | FORM OF NOTES | The Notes in this Tranche are issued in uncertificated form and held by the CSD |
| 15. | AUTOMATIC/OPTIONAL CONVERSION FROM ONE INTEREST / PAYMENT BASIS TO ANOTHER | N/A |
| 16. | ISSUE DATE | 11 December 2012 |
| 17. | BUSINESS CENTRE | Johannesburg |
| 18. | ADDITIONAL BUSINESS CENTRE | N/A |
| 19. | PRINCIPAL AMOUNT PER NOTE | ZAR1,000,000 |
| 20. | SPECIFIED DENOMINATION | ZAR1,000,000 |
| 21. | ISSUE PRICE | 100% |
| 22. | INTEREST COMMENCEMENT DATE | 11 December 2012 |
| 23. | MATURITY DATE | 11 December 2022 |
| 24. | MATURITY PERIOD | Notes may be issued with any maturity date, subject, in relation to Tier 2 Notes, to such minimum maturities as may be required from time to time by the applicable Capital Regulations and, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements. Subject to the applicable Capital Regulations, Tier 2 Notes will have a minimum maturity of five years and one |

day.

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| 25. | SPECIFIED CURRENCY | South African Rands (ZAR) |
| 26. | APPLICABLE BUSINESS DAY CONVENTION | Modified Following Business Day |
| 27. | FINAL REDEMPTION AMOUNT | 100 % of the Nominal Amount |
| 28. | BOOKS CLOSED PERIOD(S) | The Register will be closed from 6 March to 11 March, 6 June to 11 June, 6 September to 11 September and from 6 December to 11 December (all dates inclusive) in each year until the Early Redemption Date. |
| 29. | LAST DAY TO REGISTER | 5 March, 5 June, 5 September and 5 December, which shall mean that the Register will be closed by 17h00 from the date following each Last Day to Register to the next applicable Interest Payment Day or 10 days prior to the actual redemption date. |
| 30. | DEFAULT RATE | N/A |
| 31. | CALL OPTION | Yes |
| 32. | CALL OPTION DATE | 11 December 2017, subject to the applicable Capital Regulations |

FIXED RATE NOTES

Subject, in the case of Subordinated Notes, to the applicable Capital Regulations

| | | |
|-----|-----------------------------------|-----|
| 33. | PAYMENT OF INTEREST AMOUNT | |
| | (a) Interest Rate(s) | N/A |
| | (b) Interest Payment Date(s) | N/A |
| | (c) Interest Rate Periods | N/A |
| | (d) Fixed Coupon Amount[(s)] | N/A |
| | (e) Initial Broken Amount | N/A |

| | | |
|-----|---|-----|
| (f) | Final Broken Amount | N/A |
| (g) | Interest Step-Up Date | N/A |
| (h) | Any other terms relating to the particular method of calculating interest | N/A |

FLOATING RATE NOTES

Subject, in the case of Subordinated Notes, to the applicable Capital Regulations

34. PAYMENT OF INTEREST AMOUNT

| | | |
|-----|--|---|
| (a) | Interest rate(s) | 3 month JIBAR, plus Margin |
| (b) | Interest payment date (s) | 11 March, 11 June, 11 September and 11 December of each year with the first Interest Payment Date being 11 March 2013 |
| (c) | Interest Rate Periods | From and including the applicable Interest Payment Date and ending on but excluding the following Interest Payment Date, the first Interest Period commencing on 11 December 2012 and ending on the day before the next Interest Payment Date |
| (d) | Initial Broken Amount | N/A |
| (e) | Final Broken Amount | N/A |
| (f) | Any other terms relating to the particular method of calculating interest | N/A |
| (g) | Interest step-up date | N/A |
| (h) | Definition of Business Day (if different from that set out in Condition 2 (<i>Interpretation</i>)) | Modified Following Business Day |
| (i) | Minimum Interest Rate | N/A |
| (j) | Maximum Interest Rate | N/A |
| (k) | Other terms relating to the method of calculating interest (e.g.: day count fraction, | Day Count Fraction is Actual/365 |

rounding up provision, if different from
Condition 8(b) (*Interest on Floating Rate
Notes and Indexed Notes*))

| | | |
|-----|--|---|
| 35. | MANNER IN WHICH THE INTEREST RATE IS TO BE DETERMINED | Screen Rate Determination |
| 36. | MARGIN | 290 basis points. The Margin shall be added to the relevant Reference Rate from and including the Issue Date to, but excluding, the Maturity Date |
| 37. | INITIAL CREDIT SPREAD | N/A |
| 38. | IF ISDA DETERMINATION | N/A |
| | (a) Floating Rate | N/A |
| | (b) Floating Rate Option | N/A |
| | (c) Designated Maturity | N/A |
| | (d) Reset Date(s) | N/A |
| | (e) ISDA Definitions to apply | N/A |
| 39. | IF SCREEN RATE DETERMINATION | |
| | (a) Reference Rate (including relevant period by reference to which the Interest Rate is to be calculated) | ZAR-JIBAR-SAFEX with a designated maturity of three months |
| | (b) Interest Rate Determination Date(s) | 11 December, 11 March, 11 June and 11 September of each year |
| | (c) Relevant Screen page and Reference code | SAFEY Page, Code ZA01209 |
| | (d) Relevant Time | 11h00 |
| 40. | IF INTEREST RATE TO BE CALCULATED OTHERWISE THAN BY ISDA DETERMINATION OR SCREEN DETERMINATION, INSERT BASIS FOR DETERMINING INTEREST RATE/MARGIN/FALLBACK PROVISIONS | N/A |

| | | |
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| 41. | IF INTEREST RATE TO BE CALCULATED OTHERWISE THAN BY REFERENCE TO 36 OR 38 ABOVE | N/A |
| (a) | Margin | N/A |
| (b) | Minimum Interest Rate | N/A |
| (c) | Maximum Interest Rate | N/A |
| (d) | Business Day Convention | N/A |
| (e) | Day Count Fraction | N/A |
| (f) | Default Rate | N/A |
| (g) | Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest for Floating Rate Notes | N/A |
| 42. | IF DIFFERET FROM CALCULATION AGENT, AGENT RESPONSIBLE FOR CALCULATING AMOUNT OF PRINCIPAL AND INTERST | N/A |
| | ZERO COUPON NOTES | N/A |
| (a) | Implied Yield | N/A |
| (b) | Reference Price | N/A |
| (c) | Any other formula or basis for determining amount(s) payable | N/A |
| | PARTLY PAID NOTES | N/A |
| (a) | Amount of each payment comprising the issue price | N/A |
| (b) | Date upon which each payment is to be made by Noteholder | N/A |
| (c) | Consequences (if any) of failure to make any such payment by Noteholder | N/A |

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| (d) | Interest Rate to accrue on the first and subsequent instalments after the due date for payment of such instalments | N/A |
|-----|--|-----|

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|-------------------------|-----|
| INSTALMENT NOTES | N/A |
|-------------------------|-----|

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| 43. | INSTALMENT DATES | N/A |
|-----|-------------------------|-----|

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| 44. | INSTALMENT AMOUNTS (EXPRESSED AS A PERCENTAGE OF THE AGGREGATE PRINCIPAL AMOUNT OF THE NOTES) | N/A |
|-----|--|-----|

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|-------------------------|-----|
| MIXED RATE NOTES | N/A |
|-------------------------|-----|

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| 45. | PERIOD(S) DURING WHICH THE INTEREST RATE FOR THE MIXED RATE NOTES WILL BE (AS APPLICABLE) THAT FOR: | N/A |
|-----|--|-----|

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|-----|------------------|-----|
| (a) | Fixed Rate Notes | N/A |
|-----|------------------|-----|

- | | | |
|-----|---------------------|-----|
| (b) | Floating Rate Notes | N/A |
|-----|---------------------|-----|

- | | | |
|-----|---------------|-----|
| (c) | Indexed Notes | N/A |
|-----|---------------|-----|

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|-----|-------------|-----|
| (d) | Other Notes | N/A |
|-----|-------------|-----|

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| 46. | THE INTEREST RATE AND OTHER PERTINENT DETAILS ARE SET OUT UNDER THE HEADINGS RELATING TO THE APPLICABLE FORMS OF NOTES | <i>Subject, in the case of Subordinated Notes, to the applicable Capital Regulations</i> |
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| | |
|----------------------|--|
| INDEXED NOTES | |
|----------------------|--|

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|-----|-----------------------|-----|
| (a) | Type of indexed notes | N/A |
|-----|-----------------------|-----|

- | | | |
|-----|--|-----|
| (b) | Index/Formula by reference to which Interest Rate/Interest Amount (delete as applicable) is to be determined | N/A |
|-----|--|-----|

- | | | |
|-----|--|-----|
| (c) | Manner in which the Interest Rate/Interest Amount (delete as applicable) is to be determined | N/A |
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|-----|--------------------|-----|
| (d) | Interest Period(s) | N/A |
|-----|--------------------|-----|

| | | |
|-----|---|-----|
| (e) | Interest Payment Date(s) | N/A |
| (f) | If different from the Calculation Agent, agent responsible for calculating amount of principal and interest | N/A |
| (g) | Provisions where calculation by reference to Index and/or Formula is impossible or impracticable | N/A |
| (h) | Minimum Interest Rate | N/A |
| (i) | Maximum Interest Rate | N/A |
| (j) | Other terms relating to the calculation of the Interest Rate | N/A |

EXCHANGEABLE NOTES

| | | |
|-----|---|-----|
| (a) | Mandatory Exchange applicable? | N/A |
| (b) | Noteholders' Exchange Right applicable? | N/A |
| (c) | Exchange Securities | N/A |
| (d) | Manner of determining Exchange Price | N/A |
| (e) | Exchange Period | N/A |
| (f) | Other | N/A |

OTHER NOTES

N/A

| | | |
|-----|--|---|
| 47. | RELEVANT DESCRIPTION AND ANY ADDITIONAL TERMS AND CONDITIONS RELATING TO SUCH NOTES | See Annexures A - F attached to this Applicable Pricing Supplement. |
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PROVISIONS REGARDING REDEMPTION/MATURITY

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|-----|---|-----|
| 48. | PRIOR CONSENT OF REGISTRAR OF BANKS REQUIRED FOR ANY REDEMPTION OF THE NOTES | Yes |
| 49. | REDEMPTION AT THE OPTION OF THE ISSUER: | Yes |

IF YES:

- | | | |
|-----|---|----------------------------|
| (a) | Option Redemption Date(s) (Call) | 11 December 2017 |
| (b) | Option Redemption Amount(s) and method, if any, of calculation of such amount | 100% of the Nominal Amount |
| (c) | Minimum period of notice (if different from Condition 10(c) (<i>Early Redemption at the option of the Issuer</i>) (<i>Call Option</i>)) | N/A |
| (d) | If redeemable in part: | N/A |
| | Minimum Redemption Amount(s) | N/A |
| | Maximum Redemption Amount(s) | N/A |
| (e) | Other terms applicable on Redemption | N/A |

50. **REDEMPTION AT THE OPTION OF
NOTEHOLDERS OF SENIOR NOTES: (PUT
OPTION)**

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|-----|--|-----|
| (a) | Option Redemption Date(s) (Put) | N/A |
| (b) | Option Redemption Amount(s) (Put) and method of calculation? | N/A |
| (c) | Minimum period of notice (if different from Condition 10(e) (<i>Early Redemption at the option of Noteholders of Senior Notes (Put Option)</i>)) | N/A |
| (d) | If redeemable in part: | N/A |
| | Minimum Redemption Amount(s) | N/A |
| | Maximum Redemption Amount(s) | N/A |
| (e) | Other terms applicable on Redemption | N/A |
| (f) | Attach <i>pro forma</i> Put Notice(s) | N/A |

51. **EARLY REDEMPTION AMOUNT(S) PAYABLE ON
REDEMPTION FOR TAXATION REASONS OR ON**

EVENT OF DEFAULT (IF REQUIRED), IF YES:

- | | | |
|-----|--|---|
| (a) | Early Redemption Amount (Tax Gross Up); or | Closing Price, as at the Tax Event / Change in Law Redemption Date, with accrued interest |
| (b) | Early Redemption Amount (Tax Deductibility); or | Closing Price, as at the Tax Event / Change in Law Redemption Date, with accrued interest |
| (c) | Method of calculation of amount payable (if required or if different from that set out in Condition 10(g) (<i>Early Redemption Amounts</i>)) | Closing Price, as at the Tax Event / Change in Law Redemption Date, with accrued interest |

52. **REDEMPTION AMOUNT(S) PAYABLE ON
REDEMPTION FOR REGULATORY REASONS**

See additional Conditions 10(d)(1) and
10(d)(2) in paragraph 1.3 of **Annexure B**
attached to this Applicable Pricing
Supplement

- | | | |
|-----|---|---|
| (a) | Amount payable; or | Closing Price, as at the Regulatory Redemption Date, with accrued interest |
| (b) | Method of calculation of amount payable | Closing Price, as at the Regulatory Redemption Date, with accrued interest |

GENERAL

- | | | |
|-----|--|---------------------------------|
| 53. | FINANCIAL EXCHANGE | Interest Rate Market of the JSE |
| 54. | ISIN NO. | ZAG000102054 |
| 55. | STOCK CODE | FRB11 |
| 56. | ADDITIONAL SELLING RESTRICTIONS | N/A |
| | (a) Financial Exchange | N/A |
| | (b) Relevant sub-market of the Financial Exchange | N/A |
| 57. | PROVISIONS RELATING TO STABILISATION | N/A |
| 58. | RECEIPTS ATTACHED? IF YES, NUMBER OF | N/A |

RECEIPTS ATTACHED

| | | |
|-----|---|---|
| 59. | COUPONS ATTACHED? IF YES, NUMBER OF COUPONS ATTACHED | N/A |
| 60. | TALLONS ATTACHED? IF YES, NUMBER OF TALLONS ATTACHED | N/A |
| 61. | METHOD OF DISTRIBUTION | Auction |
| 62. | CREDIT RATING ASSIGNED TO [ISSUER]/[PROGRAMME]/[NOTES] AS AT THE ISSUE DATE (IF ANY) | N/A |
| 63. | STRIPPING OF RECEIPTS AND/OR COUPONS PROHIBITED IN CONDITION 16(D) (<i>PROHIBITION ON STRIPPING</i>) | N/A |
| 64. | GOVERNING LAW (IF THE LAWS OF SOUTH AFRICA ARE NOT APPLICABLE) | N/A |
| 65. | OTHER BANKING JURISDICTION | N/A |
| 66. | USE OF PROCEEDS | Proceeds of the Tier 2 Notes intended to qualify as Tier 2 Capital for purposes of complying with the Regulatory Capital Requirements set out in Annexure D attached to this Applicable Pricing Supplement. |
| 67. | SURRENDERING OF NOTES | N/A |
| 68. | OTHER PROVISIONS | See Annexures A – F attached to this Applicable Pricing Supplement. |
| 69. | Total Notes in Issue: | ZAR34,634,221,803.20 |

ADDITIONAL/AMENDED RISK FACTORS RELATING TO THESE TRANCHES OF NOTES OF THE SERIES – SEE ANNEXURE “A”

ADDITIONAL/AMENDED TERMS AND CONDITIONS RELATING TO THESE TRANCHES OF NOTES OF THE SERIES – SEE ANNEXURE “B”

ADDITIONAL/AMENDED DESCRIPTION OF THE BANKING SECTOR IN SOUTH AFRICA RELATING TO THESE TRANCHES OF NOTES OF THE SERIES – SEE ANNEXURE “C”

ADDITIONAL/AMENDED OVERVIEW OF THE REGULATORY CAPITAL REQUIREMENTS RELATING TO THESE TRANCHES OF NOTES OF THE SERIES – SEE ANNEXURE “D”

ADDITIONAL/AMENDED SOUTH AFRICAN TAXATION SECTION RELATING TO THESE TRANCHES OF NOTES OF THE SERIES – SEE ANNEXURE “E”

ADDITIONAL DEFINITIONS IN RESPECT OF THESE TRANCHES OF NOTES OF THE SERIES – SEE ANNEXURE “F”

Responsibility:

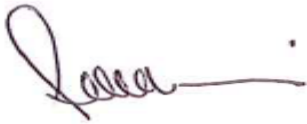
The Issuer accepts full responsibility for the information contained in this Applicable Pricing Supplement. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Applicable Pricing Supplement is in accordance with the facts and does not omit anything which would make any statement false or misleading and all reasonable enquiries to ascertain such facts have been made. This Applicable Pricing Supplement contains all information required by law and the debt listings requirements of the JSE.

Application is hereby made to list this issue of Notes on 11 December 2012.

SIGNED at _____ Sandton _____ on this __10__ day of _____ December _____ 2012

For and on behalf of

FIRST RAND BANK LIMITED



Name: A Olding

Capacity: Manager

Who warrants his/her authority hereto



Name: D Adams

Capacity: Manager

Who warrants his/her authority hereto

LEGAL ADVISERS

Edward Nathan Sonnenbergs Inc.

(Registration Number 2006/081200/21)

1 North Wharf Square

Loop Street

Foreshore, 8001

Cape Town

South Africa

Contact: Mr C van Loggerenberg

Tel: (021) 410 2500

ADDITIONAL/AMENDED RISK FACTORS RELATING TO THESE TRANCHES OF NOTES OF THE SERIES

- The Programme Memorandum is amended in relation to these Tranches of Notes by the replacement of the following Risk Factors titled “*Structural characteristics impacting the funding profile of South African banks*”, “*Changing regulatory environment*” and “*The Issuer is subject to capital requirements that could limit its operations*” under the subheading “*Liquidity Risk*” under the section headed “*Risk Factors*” on pages 6 – 12 of the Programme Memorandum, with the following paragraphs:

Liquidity Risk

Structural characteristics impacting the funding profile of South African banks

The banking sector in South Africa is characterised by certain structural features, such as a low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services. A portion of these contractual savings translates into institutional funding (comprising wholesale funding from financial institutions across a range of deposits, loans and financial instruments) for banks, which has a higher liquidity risk than retail deposits.

Given these structural issues, and as a result of the significant growth in risk-weighted assets between 2005 and 2007, South African banks' overall proportion of institutional funding increased during this period. This is reflected in the table below which sets out the Bank's analysis of the composition of the funding base for the South African banking sector. In preparing this table, the Bank has grouped together certain data sourced from SARB BA900 consolidated banking sector returns as at 30 June 2012 into the broad categories identified in the table. SARB BA900 returns are filed by all banks and branches in South Africa which are subject to regulation by SARB.

| SA banks' funding sources | 30 June 2012 (% of funding liabilities) | | | |
|---------------------------|---|-----------------------|-----------------------------|------------------------|
| | Total | Short-term (<1 month) | Medium-term (1 to 6 months) | Long-term (> 6 months) |
| Institutional | 42 | 24 | 58 | 71 |
| Corporate | 21 | 29 | 11 | 9 |
| Retail | 16 | 20 | 17 | 6 |

| SA banks' funding sources | 30 June 2012 (% of funding liabilities) | | | |
|----------------------------|---|-----------------------|-----------------------------|------------------------|
| | Total | Short-term (<1 month) | Medium-term (1 to 6 months) | Long-term (> 6 months) |
| SMEs | 5 | 8 | 4 | 1 |
| Government and parastatals | 9 | 13 | 8 | 3 |
| Foreign* | 6 | 6 | 2 | 8 |
| Other | 1 | - | - | 2 |
| Total | 100 | 100 | 100 | 100 |

Source: South African banking sector aggregate SARB BA900 returns (30 June 2012), FirstRand research.

* This category includes all funds and deposits which are not denominated in South African Rand regardless of source.

As retail funding represents only 16% of the banking sector's funding base, this means that short-term, expensive institutional deposits are utilised to fund longer-dated assets such as mortgages. Liquidity risk in the South African banking system is therefore structurally higher than in most other markets.

However, this risk is to some extent mitigated by the following factors:

- (a) the “closed Rand” system, whereby all South African Rand transactions (whether physical or derivative) have to be cleared and settled in South Africa through registered bank and clearing institutions domiciled in South Africa. The Issuer is one of the major clearing/settlement banks;
- (b) the institutional funding base is fairly stable as it comprises, in effect, recycled contractual retail savings;
- (c) the country has a prudential exchange control framework in place; and
- (d) South African banks have a low dependence on foreign currency funding (i.e. low roll-over risk).

These factors contributed to South Africa's resilience during the recent global financial crisis.

Although the Issuer believes that its level of access to domestic and international inter-bank and capital markets and its liquidity risk management policy allow and will continue to allow the Issuer to meet its short-term and long-term liquidity needs, any maturity mismatches may

have a material adverse effect on its financial condition and the results of operations. Furthermore, there can be no assurance that the Issuer will be successful in obtaining additional sources of funds on acceptable terms or at all.

Changing regulatory environment

The Issuer is subject to the laws, regulations, administrative actions and policies of South Africa and each other jurisdiction in which it operates, and the Issuer's activities may be constrained by such regulations. Changes in supervision and regulation, particularly in South Africa, could materially affect the Issuer's business, the products or services offered, the value of its assets and its financial condition. Although the Issuer works closely with its regulators and continually monitors the situation, future changes in regulation, fiscal or other policies cannot be predicted and are beyond the control of the Issuer.

Important regulatory developments in South Africa include the new Companies Act, 2008, the Consumer Protection Act, 2008 ("**CPA**"), the Financial Markets Bill, 2012 and the Protection of Personal Information Bill, 2009. The Protection of Personal Information Bill introduces certain minimum conditions such as acquiring customer consent before processing personal information and provides for the establishment of an Information Protection Regulator. During 2011, the new Companies Act, 2008 and the CPA came into effect. The new Companies Act, 2008 will have an impact on institutional reform, company categorisation, company formation, accountability and transparency, corporate finance, shareholder provisions, directors' duties and board governance, fundamental transactions, takeovers and share purchases. The new Companies Act, 2008 introduces the concept of business rescue remedies and enforcement, and could have an impact on the rights and duties of the Issuer and Noteholders. The CPA will be supplemented by a new market conduct regime based on the United Kingdom Financial Services Authority's Treating Customers Fairly regulatory initiative. This will mainly affect the retail business. All credit agreements governed by the National Credit Act, 2005 do not fall within the ambit of the CPA. However, the goods or services that are the subject of the credit agreement are not excluded from the ambit of the CPA. The CPA is a relatively new piece of legislation in South Africa which stipulates certain additional regulatory compliance requirements for the Issuer to adhere to including, but not necessarily limited to, ensuring that customer facing documents (i) are in plain and understandable language, (ii) include certain prescribed provisions, and (iii) contain adequate risk disclosures.

The Financial Markets Bill, which introduces an enabling framework for the regulation of over-the-counter ("**OTC**") derivatives trading and gives effect to South Africa's G20 commitments, was passed in parliament on 9 November 2012. A phased approach to OTC derivative regulation will be followed, starting with mandatory reporting of OTC trades to a trade repository. Phase two will include central clearing of standardised OTC products. As

the Financial Markets Bill is still subject to consideration in the National Council of Provinces and has not yet been enacted, the full extent of the impact on the Bank remains unclear.

In addition, the global banking sector is experiencing increased political and regulatory pressures, and some of these pressures will materialise in South Africa. On 16 December 2010 and 13 January 2011, the Basel Committee on Banking Supervision (the "**BSBS**") published its final guidance in relation to new capital and liquidity requirements intended to reinforce capital standards and to establish minimum liquidity standards for credit institutions ("**Basel III**"). Basel III prescribes two minimum liquidity standards for funding liquidity, namely a liquidity coverage ratio ("**LCR**"), which is anticipated to become effective on 1 January 2015 and aims to ensure that banks maintain an adequate level of high-quality liquid assets to meet liquidity needs for a 30 calendar day period under a severe stress scenario, and a net stable funding ratio ("**NSFR**"), which is anticipated to become effective 1 January 2018 and aims to promote medium and long-term funding of banks' assets and activities. South Africa, as a G20 and a BCBS member country, will implement the Basel III framework on a phased-in approach commencing 1 January 2013 and continuing up to 2018, in line with the timelines determined by the BCBS.

The BCBS has formalised processes in order to ensure the consistent implementation of Basel III across jurisdictions. Both the LCR and the NSFR requirements are subject to an observation period and include a review clause to address any unintended consequences.

Given the structural funding profile of South Africa's financial sector and the limited availability of high-quality liquid assets (as defined in Basel III) in South Africa, the South African banking sector (including the Issuer) will, based on their current funding profiles, experience difficulty in complying with the Basel III LCR and NSFR requirements. These issues have been recognised by the South African regulatory authorities, the banking industry and the National Treasury of South Africa. In response, and under the direction of the South African Minister of Finance, a financial cross sector task team was established and mandated to consider relevant issues relating to, among other, issues pertaining to the structural funding profile of South Africa's financial sector and disparate regulatory treatment of banks and money market funds. Furthermore, the South African Reserve Bank has approved the provision of a committed liquidity facility available to banks to assist banks to meet the LCR.

The SARB is engaging with the banking industry in respect of the domestic application of elements of Basel III where regulators are entitled to exercise national discretion. The consultation process is on-going and will continue during the monitoring period. The Banking Supervision Department of the SARB (the "**BSD**") has indicated both in Guidance Note G8/2012 and in Guidance Note G9/2012 that the implementation date of the final regulations relating to Basel III will be 1 January 2013 and it should be noted that the SARB's implementation of Basel III is based on a phased-in approach, commencing on 1 January

2013 and continuing up to 2018. Therefore, and in view of the South African banking regulator endorsing the initiatives, strategies and new or amended requirements and standards issued by the BCBS in addressing the fundamental weaknesses revealed by the global financial crisis, the Issuer is not able to predict precisely whether future regulatory reforms and the implementation in South Africa of the Basel III minimum standards for funding liquidity will have a material impact on the Issuer's financial condition, business or the results of operations.

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

The Issuer is subject to capital adequacy guidelines adopted by the SARB, which provide for a minimum target ratio of capital to risk-weighted assets. Any failure by the Issuer to maintain its ratios may result in sanctions against the Issuer which may in turn impact on its ability to fulfil its obligations under the Notes.

In particular, certain provisions of the Banks Act have been amended, with effect from 1 January 2012, as read with the "*Regulations Relating to Banks*" promulgated under section 90 of the Banks Act (the "**Regulations Relating to Banks**"), in order, among other things, to incorporate new capital requirements to include the effects of stressed markets, an incremental risk charge for default and rating migration of trading book positions, a 6 per cent. credit risk scalar to credit risk weighted assets and higher risk weightings for securitised exposures ("**Basel 2.5**"). The Banking Supervision Department of the South African Reserve Bank has circulated draft amendments to the Regulations Relating to Banks. The proposed amendments are aimed at aligning the Regulations Relating to Banks with principles contained in the document entitled 'Basel III: A global regulatory framework for more resilient banks and banking systems'- finalised by the BCBS in June 2011. The aim of the framework is to raise the quality and quantity of the regulatory capital base and enhance risk coverage. The third draft of these amendments was submitted to the Minister of Finance for approval on 6 November 2012 and may be subject to change before implementation on 1 January 2013.

2. The Programme Memorandum is amended in relation to these Tranches of Notes by the replacement of the following Risk Factors titled "*The Notes may be redeemed prior to maturity*", under the subheading "*Risks relating to the Notes*" under the section headed "*Risk Factors*" on pages 6 – 12 of the Programme Memorandum, with the following paragraph:

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Applicable Pricing Supplement specifies otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of South

Africa or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions. In respect of any Tier 2 Notes, the Issuer may also redeem all outstanding Notes in the event of a Tax Event (Deductibility) or a Regulatory Event (each as defined in this Applicable Pricing Supplement).

In addition, if in the case of any particular Tranche of Notes the relevant Applicable Pricing Supplement specifies that the Notes are redeemable at the Issuer's option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes. Any redemption of Tier 2 Notes prior to their Maturity Date requires the prior written approval of the Registrar of Banks.

3. The Programme Memorandum is amended in relation to these Tranches of Notes by the insertion of the following additional Risk Factors under the section headed "*Risk Factors*" on pages 6 – 12 of the Programme Memorandum:

Risks relating to Tier 2 Notes

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

The payment obligations of the Issuer under Tier 2 Notes will rank behind Depositors and Senior Creditors (each as defined below). See Condition 6(d) (*Status of the Tier 2 Notes*) (as inserted by paragraph 1.2 of Annexure B to this Applicable Pricing Supplement) for a full description of subordination and the payment obligations of the Issuer under Tier 2 Notes.

With regard to any Tier 2 Notes, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, curatorship or wound-up, the Issuer will be required to pay or discharge the claims of (i) any person having a claim against the Issuer in respect of a "*deposit*" (as defined in the Banks Act, 1990) (a "**Depositor**") and (ii) creditors of the Issuer who are either unsubordinated creditors of the Issuer or whose claims are, or are expressed to be, subordinated to the claims of other creditors, whether subordinated or unsubordinated, of the Issuer other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, holders of Tier 2 Notes (together "**Senior Creditors**") in full before it can make any payments in respect of such Tier 2 Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under such Tier 2 Notes.

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

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

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

If the Issuer is wound-up or put into liquidation or curatorship, voluntarily or involuntarily, holders of Tier 2 Notes will not be entitled to any payments of the Tier 2 Notes until the claims of Depositors and Senior Creditors which are admissible in any such winding-up, liquidation or curatorship have been paid or discharged in full. If the Issuer does not have sufficient assets at the time of winding-up, liquidation or curatorship to satisfy those claims, holders of Tier 2 Notes will not receive any payment on the Tier 2 Notes. There is no limitation on the ability to issue debt securities in the future that would rank equal or senior in winding-up, liquidation or curatorship to the Tier 2 Notes.

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

Capital Regulations

In order for the proceeds of the issuance of Tier 2 Notes to qualify as Tier 2 Capital the Tier 2 Notes must comply with the applicable Capital Regulations in respect of any Tranche of Tier 2 Notes, where "**Capital Regulations**" means, at any time, any legislation, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in South Africa in relation to banks registered under the Banks Act and licensed to conduct the business of a bank in South Africa (or if the Issuer becomes domiciled in a jurisdiction other than South Africa, any legislation, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in such other jurisdiction in relation to banks registered in, and licensed to conduct the business of a bank in, such other jurisdiction).

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

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

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

- (a) the governing jurisdiction of the bank has in place laws that (i) require such Tier 1 and Tier 2 instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss (a "**Statutory Loss Absorption Regime**");
- (b) a peer group review confirms that the jurisdiction conforms with paragraph (a) above; and
- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under paragraph (a) above.

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

The Terms and Conditions do not contain any provision that requires the Tier 2 Notes at the option of the Registrar to either be written off or converted into common equity. However, if and to the extent a Statutory Loss Absorption Regime is implemented in South Africa retrospectively so as to apply to Tier 2 Notes already in issue, such Tier 2 Notes will be subject to the provisions of South African law that implemented such regime. See Condition 10(n) (*Statutory Loss Absorption of Tier 2 Notes*) (as inserted by paragraph 1.6 of Annexure B to this Applicable Pricing Supplement).

The BCBS contemplates implementation of the Basel III reforms as of 1 January 2013, and the BSD has indicated both in Guidance Note G8/2012 and Guidance Note G9/2012 that the

implementation date of the final regulations relating to the Basel III reforms in South Africa will be 1 January 2013. Regulation 38(14) of the draft amendments to the Regulations Relating to Banks (dated 26 September 2012) refers to the need for the Basel III Non-Viability Requirements to be reflected in the terms and conditions of a tier 2 instrument unless a duly enforceable Statutory Loss Absorption Regime is in place. However, no official statement has yet been made as to whether and/or when a Statutory Loss Absorption Regime will be implemented in South Africa. Additionally, it is unclear whether a Statutory Loss Absorption Regime will, if implemented in South Africa, apply to capital instruments such as the Tier 2 Notes that are already in issue.

Subject to such implementation of a Statutory Loss Absorption Regime, the Tier 2 Notes may, therefore, be subject to write down or conversion into common equity upon the occurrence of the relevant trigger event, which may result in Noteholders losing some or all of their investment. The exercise of any such power or any suggestion of such exercise could, therefore, materially adversely affect the value of the Tier 2 Notes.

There can be no assurance that, if a Statutory Loss Absorption Regime is implemented in South Africa, the fact of such implementation would not adversely affect the price or value of a Noteholder's investment in any Tier 2 Notes and/or the ability of the Issuer to satisfy its obligations under the Tier 2 Notes.

Proposed amendments to South African income tax legislation may impact the deductibility of interest on Tier 2 Notes for the Issuer which will increase the risk of the Issuer redeeming Tier 2 Notes prior to maturity

The National Treasury of South Africa (the "**National Treasury**") proposed the introduction into South African income tax legislation of revised anti-hybrid debt re-characterisation rules in order to reduce the scope for the creation of equity that is artificially disguised as debt and thereby artificially generate interest deductions.

Based on draft legislation, which is currently being revised, a factor that could be introduced to determine whether an instrument is classified as hybrid debt may be whether payment or repayment of any portion of the instrument is subject to the solvency or liquidity of the issuer of the instrument. If an instrument is re-characterised in this manner as hybrid debt, the instrument may be treated as an equity instrument for income tax purposes. The consequences of such re-characterisation may include (a) interest payable on the instrument being treated as the payment of a dividend by the issuer and the receipt of a dividend by the holder of the instrument, and (b) the issuer of the instrument being denied a tax deduction of the interest payable on the instrument.

If the interest on an instrument is re-classified as a dividend it may also be subject to the dividends tax provisions contained in the Income Tax Act.

The National Treasury, has, however, indicated that bank Tier I and Tier II capital may be exempted from these anti-hybrid debt re-characterisation rules notwithstanding that the relevant instruments would otherwise fall within the scope of the proposed re-characterisation rules. However, in the event that this exemption is not carried through to the legislation which is expected to be introduced into South African law in the future to cater for the anti-hybrid debt re-characterisation rules, Tier 2 Notes may be re-characterised as equity instruments with the consequences described above, which could increase the likelihood that, subject to compliance with the other requirements relating to any such redemption, the Issuer will seek to utilise its option to redeem such Tier 2 Notes prior to their maturity.

As noted above, the proposals are currently being revised by the National Treasury. It is expected that a revised proposal will be released during 2013, and it is not therefore possible to state with any certainty the effect of the final legislation on the entitlement of the Issuer to a tax deduction in respect of payments of interest under Tier 2 Notes.

Annexure B

ADDITIONAL/AMENDED TERMS AND CONDITIONS RELATING TO THESE TRANCHES OF NOTES OF THE SERIES

The additional/amended Terms and Conditions set out in this Annexure B will only apply to the Tier 2 Notes issued pursuant to this Applicable Pricing Supplement and not to any other Notes issued pursuant to the Programme Memorandum.

1. The Terms and Conditions set out in the Programme Memorandum are amended:

1.1. by the insertion of the following additional Condition 4(c) into the section entitled "*Form*":

4(c) **"Legend to appear on Tier 2 Notes Certificates"**

Any Individual Certificates representing Tier 2 Notes will bear a legend to the following effect:

*"The proceeds obtained through the issue of the Notes represented by this Certificate qualify as capital for the issuing bank in terms of the provisions of the Banks Act, 1990 (the "**Banks Act**"). Any direct or indirect acquisition of the Notes represented by this Certificate by a bank or controlling company, as defined in the Banks Act, or by a non-bank subsidiary of a bank or controlling company, shall be regarded as a deduction against the capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the Notes represented by this Certificate.*

The Notes represented by this Certificate constitute direct, unsecured and, in accordance with Condition 6(b) (Status of Tier 2 Notes), subordinated obligations of the Issuer and rank pari passu without any preference amongst themselves and (save for those that have been accorded by law preferential rights) at least pari passu with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) pari passu with the Tier 2 Notes.

If the Issuer is wound-up or put into liquidation or curatorship, voluntarily or involuntarily, the claims of the Noteholders represented by this Certificate shall be subordinated to the claims of Depositors and Senior Creditors (each as defined in Condition 2 (Interpretation)). In any such event, no amount shall be payable to any Noteholders represented by this Certificate entitled to be paid amounts due under the Notes represented by this Certificate until the claims of

Depositors and Senior Creditors which are admissible in any such winding-up, liquidation or curatorship have been paid or discharged in full, as set out more fully in Condition 6(b) (Status of the Tier 2 Notes)".

The Registrar of Banks has approved the issue of the Notes represented by this Certificate in terms of the Banks Act (as read with Regulation 38(14)(b) of the "Regulations Relating to Banks" promulgated under the Banks Act) and for the proceeds thereof to rank as "secondary capital" as defined in the Banks Act.";

- 1.2. by the insertion of the following additional Condition 6(d) into the section entitled "*Status of Notes*":

6(d) **"Status of the Tier 2 Notes:**

6(d)(i) *Application:* This Condition 6(d) applies only to Tier 2 Notes.

6(d)(ii) *Status of the Tier 2 Notes:* The Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 6(d)(iii) (*Subordination*) below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and (save for those that have been accorded by law preferential rights) at least *pari passu* with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) *pari passu* with the Tier 2 Notes.

6(d)(iii) *Subordination:* The claims of Tier 2 Noteholders entitled to be paid amounts due in respect of the Tier 2 Notes are subordinated to the claims of Depositors and Senior Creditors and, accordingly, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, curatorship or wound-up:

6(d)(iii)(A) no Tier 2 Noteholder shall be entitled to prove or tender to prove a claim in respect of the Tier 2 Notes;

6(d)(iii)(B) no amount due under the Tier 2 Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which a Tier 2 Noteholder might otherwise have under the laws of any jurisdiction in respect of the Tier 2 Notes nor shall any amount due under the Tier 2 Notes be payable to any Tier 2 Noteholder; and

6(d)(iii)(C) subject to applicable law, a Tier 2 Noteholder may not exercise or claim any right of set-off in respect of any amount in respect

of the principal of and/or interest on the Tier 2 Notes owed to it by the Issuer and each Tier 2 Noteholder shall, by virtue of its subscription, purchase or holding of any Tier 2 Notes, be deemed to have waived all such rights of set-off and, to the extent that any set-off takes place, whether by operation of law or otherwise, between: (aa) any amount in respect of the principal and/or interest on the Tier 2 Notes owed by the Issuer to a Tier 2 Noteholder; and (bb) any amount owed to the Issuer by such Tier 2 Noteholder, such Tier 2 Noteholder will immediately transfer such amount which is set-off to the Issuer or, in the event of its winding-up or curatorship (as the case may be), the liquidator, curator or other relevant insolvency official of the Issuer, to be held on trust for the Depositors and Senior Creditors,

until the claims of Depositors and Senior Creditors which are admissible in any such dissolution, insolvency or winding-up have been paid or discharged in full.”;

- 1.3. by the replacement of the Condition 10(b) “*Redemption following the occurrence of a Tax Event and/or Change in Law*” in the section entitled “*Redemption and Purchase*”, with the following paragraph:

10(b) **“*Redemption following the occurrence of a Tax Event and/or Change in Law:***

10(b)(1) Subject to Condition 10(d)(2) (*Redemption of Tier 2 Notes*), the Notes may be redeemed at the option of the Issuer in whole, but not in part if a Tax Event (Gross up) or (in the case of Tier 2 Notes only) a Tax Event (Deductibility) occurs and is continuing:

10(b)(1)(a) at any time (if the Floating Rate Note provisions are not specified in the relevant Applicable Pricing Supplement as being applicable or, if they are, such provisions are not applicable at the time of redemption); or

10(b)(1)(b) on any Interest Payment Date (if the Floating Rate Note provisions are specified in relevant Applicable Pricing Supplement as being applicable and are applicable at the time of redemption),

on giving not less than 30 nor more than 60 days' notice prior to the date of such redemption (the “**Tax Event / Change in Law Redemption Date**”) to the Noteholders (which notice shall be irrevocable) in accordance with Condition 19 (*Notices*) and to the Registrar of Banks and the Calculation Agent, at (A) in the case of a Tax Event (Gross up), their Early Redemption Amount (Tax Gross up) or (B) in the case of a Tax Event (Deductibility), their Early Redemption Amount (Tax Deductibility), plus in either case accrued interest (if any) to the date fixed for redemption,

provided, however, that no such notice of redemption shall be given earlier than:

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

- 10(b)(2) Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Calculation Agent (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred and (B) an opinion of independent advisers of recognised standing to the effect that a Tax Event (Gross up) or a Tax Event (Deductibility), as applicable, has occurred. Upon the expiry of any such notice as is referred to in this Condition 10(b)(2), the

Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b)(2).”;

- 1.4. by the insertion of the following additional Condition 10(d)(1) into the section entitled “*Redemption and Purchase*”:

10(d)(1) “***Redemption for regulatory reasons:***

10(d)(1)(a) Subject to Condition 10(d)(2) (*Redemption of Tier 2 Notes*) (as inserted by paragraph 1.5 of Annexure B to this Applicable Pricing Supplement), any Series of Tier 2 Notes may be redeemed at the option of the Issuer in whole, but not in part:

10(d)(1)(a)(i) at any time (if the Floating Rate Note provisions are not specified in the relevant Applicable Pricing Supplement as being applicable or, if they are, such provisions are not applicable at the time of redemption); or

10(d)(1)(a)(ii) on any Interest Payment Date (if the Floating Rate Note provisions are specified in the relevant Applicable Pricing Supplement as being applicable and are applicable at the time of redemption),

on giving not less than 30 nor more than 60 days’ notice prior to the date of such redemption (the “**Regulatory Redemption Date**”) to Noteholders (which notice shall be irrevocable) in accordance with Condition 19 (*Notices*) and to the Calculation Agent and the Paying Agent, at their Early Redemption Amount (Regulatory), together with interest accrued (if any) to the Regulatory Redemption Date, if a Regulatory Event occurs and is continuing.

10(d)(1)(b) Prior to the publication of any notice of redemption pursuant to this Condition 10(d)(1), the Issuer shall deliver to the Calculation Agent (A) a certificate signed by two authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred and (B) written confirmation from the Registrar of Banks (if applicable) to the Issuer that the

aggregate outstanding nominal amount of the Notes of any Series which comprise Tier 2 Capital on the Issue Date is, as a result of a Regulatory Change, fully excluded from the Tier 2 Capital of the Issuer on a solo and/or a consolidated basis, an opinion of independent advisors of recognised standing to the effect that a Regulatory Event has occurred. Upon the expiry of any such notice as is referred to in this Condition 10(d)(1), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(d)(1).”;

- 1.5. by the insertion of the following additional Condition 10(d)(2) into the section entitled “*Redemption and Purchase*”:

10(d)(2) **“Redemption of Tier 2 Notes:**

10(d)(2)(a) Subject to the applicable Capital Regulations, Tier 2 Notes may be redeemed or purchased and cancelled at the option of the Issuer pursuant to this Condition 10 (*Redemption and Purchase*) only and provided that:

10(d)(2)(a)(i) the Issuer has notified the Registrar of Banks of its intention to redeem or purchase and cancel the relevant Tier 2 Notes (as applicable) at least one month (or such other period, longer or shorter, as the Registrar of Banks may then require or accept) prior to the date scheduled for such redemption or such purchase and cancellation, as the case may be, and (if required pursuant to the Capital Regulations in force at the relevant time) approval of the same has been received from the Registrar of Banks; and

10(d)(2)(a)(ii) such redemption or purchase and cancellation (as applicable) is effected in accordance with Additional Conditions (if any) approved by the Registrar of Banks in writing.”;

- 1.6. by the insertion of the following additional Condition 10(n) into the section entitled “*Redemption and Purchase*”:

10(n) **“Statutory Loss Absorption of Tier 2 Notes:**

To the extent any regulations and/or legislation come(s) into effect in South Africa after the Issue Date of the first Tranche of any Series of Tier 2 Notes for the purpose described in paragraph 1(a) of the Annex (entitled "*minimum requirements to ensure loss absorbency at the point of non-viability*") to the Press Release dated 13 January 2011 by the BCBS, and such regulations and/or legislation are applicable to such Series of Tier 2 Notes, such Series of Tier 2 Notes will be subject to such regulations and/or legislation and these Conditions shall be construed accordingly.”;

- 1.7. by the deletion of Condition 12(ii) on page 54 of the Programme Memorandum in the section entitled “*Taxation*” in its entirety and the replacement thereof with the following paragraph:

12(ii) “All payments of principal and interest in respect of the Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of South Africa or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law, and provided that all payments by or on behalf of the Issuer in respect of the Notes will be made subject to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any amended or successor provisions), any regulations or agreements thereunder, official interpretations thereof, any intergovernmental approach thereto, or implementing legislation adopted by another jurisdiction in connection with these provisions.”; and

- 1.8. by the insertion of the following additional Condition 14(b) into the section entitled “*Events of Default*”:

14(b) **“Events of Default relating to Tier 2 Notes**

14(b)(1) This Condition 14(b) only applies to Tier 2 Notes.

14(b)(2) If default shall be made in the payment of any principal or interest due on the Tier 2 Notes of the relevant Series for a period of 5 (five) days or more after any date on which the payment of principal is due or 10 (ten) days or more after any date on which the payment of interest is due (as the case may

be), any Tier 2 Noteholder of that Series may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove in any winding-up of the Issuer, but take no other action in respect of that default.

- 14(b)(3) If an order is made or an effective resolution is passed for the winding-up of the Issuer (other than pursuant to a Solvent Reconstruction), a Tier 2 Note shall, upon written notice from the Holder of such Tier 2 Note to the Issuer and delivered to the Issuer or to the Specified Office of the Calculation Agent (and addressed to the Issuer), be declared immediately due and payable, whereupon it shall become immediately due and payable at its nominal amount together with accrued interest (if any) (subject to Condition 6(d)(iii) (*Subordination*)) (as inserted by paragraph 1.2 of Annexure B to this Applicable Pricing Supplement) without further action or formality.
- 14(b)(4) Without prejudice to Conditions 14(b)(2) and 14(b)(3) above, if the Issuer breaches any of its obligations under the Tier 2 Notes of the relevant Series (other than any obligation in respect of the payment of principal or interest on such Notes) then each Tier 2 Noteholder may at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on such Series of Tier 2 Notes sooner than the same would otherwise have been payable by it.”

Annexure C

ADDITIONAL/AMENDED DESCRIPTION OF THE BANKING SECTOR IN SOUTH AFRICA RELATING TO THESE TRANCHES OF NOTES OF THE SERIES

The Programme Memorandum is amended by the deletion of the section headed "*The Banking Sector in South Africa*" on pages 110 – 113 in its entirety and the replacement thereof with the following section -

THE BANKING SECTOR IN SOUTH AFRICA

The South African banking system is well developed and effectively regulated, comprising a central bank, several large, financially strong banking groups and a number of smaller banks. Many foreign banks and investment institutions have also established operations in South Africa. The South African Government (the "**Government**") generally endorses the IMF and World Bank standards. South African banks are regulated by the SARB and the Basel II framework was implemented in South Africa through amendments to the Banks Act and amendments to the Regulations relating to Banks, which became effective on 1 January 2008. The South African banking regulator actively participates in international regulatory and supervisory standard-setting forums at which it is represented and provides input into the continued refinement of the supervisory framework in terms of Basel 2.5. The domestic regulatory framework and the amended Regulations, which incorporated the enhancements to the Basel 2.5 framework, were implemented with effect from 1 January 2012.

The National Payment System Act, No. 78 of 1998 (as amended) was introduced to bring the South African financial settlement system in line with international practice and systematic risk management procedures. The Payment Association of South Africa, under the supervision of the SARB, has facilitated the introduction of payment clearing house agreements. It has also introduced agreements pertaining to settlement, clearing and netting agreements, and rules to create certainty and reduce systemic and other risks in inter-bank settlement. These developments have brought South Africa in line with international inter-bank settlement practice. Electronic banking facilities are extensive, with a nationwide network of automatic teller machines and internet banking being available.

Regulation

Financial regulation legislation in South Africa is increasingly following international best practice through the accords of international bodies such as the Bank of International Settlements ("**BIS**"); the International Organisation of Securities Commissions; and the International Association of Insurance Supervisors. Banks in South Africa are governed by various Acts and legislation, most significantly the Banks Act, which is primarily based on similar legislation in the United Kingdom, Australia and Canada.

South African Government Policy Priorities

During 2011, the Government issued a policy paper, "*A Safer Financial Sector to Serve South Africa Better*", which enunciates its strategic regulatory objectives. The document identifies four policy priorities to reform the financial sector, namely: financial stability; consumer protection and market conduct; expanding access of financial services through inclusion; and combating financial crime. Achieving these objectives will evidently necessitate a change in the South African regulatory landscape from both a structural and a policy perspective including the introduction of a "twin-peaks" approach to financial sector regulation in terms of which macro-prudential regulation will be mandated separately from market conduct and consumer protection regulation.

The introduction of a "twin-peaks" approach to financial sector regulation will primarily be aimed at the enhancement of systemic stability, improving market conduct regulation, sound micro- and macro prudential regulation and the strengthening of the operational independence, governance and accountability of regulators. The perimeters of regulation will be expanded to cover all sources of systemic risk, the regulation of all private pools of capital (for example, hedge funds and over-the-counter derivatives), and unregulated financial activities such as the functioning of credit rating agencies.

The Government also seeks to further eliminate lending malpractices, protect customers and reduce systemic risk through increased market conduct regulation. It is anticipated that a new retail banking market conduct and consumer protection regulator will be appointed with a purview over the full range of retail banking related matters such as the regulation of banking charges. The current legislative framework that underpins market conduct and consumer protection includes the following legislation: Financial Advisory and Intermediary Act 37 of 2002, the Consumer Protection Act 68 of 2008, the National Credit Act 34 of 2005 as well as a comprehensive set of principles relating to Treating Customers Fairly as released by the Financial Services Board under its Discussion Paper (April 2010) and Treating Customers Fairly – The Roadmap (March 2011).

Anti-money laundering regulations

The Government has identified the combating of financial crime as policy priority. South Africa has a well established anti-money laundering ("**AML**") and counter terror financing ("**CTF**") legislative framework (which includes but is not limited to the Financial Intelligence Centre Act 38 of 2001 as amended). The mutual evaluation report issued by the Financial Action Task Force, (an inter-governmental body whose purpose is the development and promotion of national and international AML and CTF policies) confirmed that South Africa has demonstrated a strong commitment to implementing AML/CTF systems facilitated by close cooperation and coordination among a variety of government departments and agencies. The authorities have sought to construct a system which uses, as its reference, the relevant United Nations Conventions and the international standards as set out by the Financial Action Task Force. The Government also recognises the importance of being able to effectively respond to international instruments such as sanctions resolutions.

The South African banking regulator strives to maintain an effective compliance framework and operational capacity to oversee compliance by banks with AML and CTF standards. The banking regulator co-operates with the South African Financial Intelligence Centre ("**FIC**") by helping to ensure compliance with FIC guidance notes, circulars and other announcements by banks. The Issuer has implemented an AML framework which includes CTF policies and takes measures to effect continuous improvement in its processes to address the global AML and CTF risks.

South African Reserve Bank

The SARB is responsible for bank regulation and supervision in South Africa with the purpose of achieving a sound, efficient banking system in the interest of the depositors of banks and the economy as a whole. The SARB holds various international memberships including the G-20, the International Monetary Fund ("**IMF**"), the BIS and the Committee of Central Bank Governors in the Southern African Development Community. The SARB serves on various BIS committees including the BCBS and the Committee on Payments and Settlement Systems. The SARB performs its function as banking regulator through its Bank Supervision Department, which issues banking licences to institutions and supervises their activities under the applicable legislation. The Registrar of Banks has extensive regulatory and supervisory powers. Every bank is obliged to furnish certain prescribed returns to the Banking Supervision Department in order to enable the banking regulator to monitor compliance with the various prudential and other regulatory requirements imposed on banks in terms of the Banks Act and the Regulations relating to Banks. The Registrar of Banks acts with relative autonomy in the execution of his duties and reports annually to the Minister of Finance on his activities, who in turn has to table a copy of the said report in Parliament.

In terms of the Banks Act, the Bank Supervision Department of the SARB, among other things, supervises banking groups on a consolidated basis from the bank controlling company downwards. In this regard, controlling companies of banks are required to submit, on a quarterly basis, a consolidated supervision return which includes information on all of the entities within that banking group that potentially constitute a material or significant risk to that banking group. The return covers issues such as group capital adequacy, group concentration risk, intra-group exposures and group currency risk. Moreover, a bank controlling company is also required to furnish the regulator, on a quarterly basis, with bank consolidated and group consolidated information which includes a detailed balance sheet, an off-balance sheet activities return and an income statement.

A banking group is required to satisfy the regulator's requirements in respect of the adequacy and effectiveness of its management systems for monitoring and controlling risks, including those in its offshore operations, and the integrity of its accounting records and systems. Banking groups are required to comply with the provisions of the Banks Act as well as with all financial and prudential requirements, including minimum capital and liquidity requirements, which are actively monitored by the banking regulator. In addition, banking groups have to satisfy the banking regulator's requirements pertaining to issues such as overall financial soundness worldwide, including the quality of its loan assets and the adequacy of its provisioning policy. As part of its supervisory process, the banking regulator undertakes on-site and off-site

examinations. The banking supervisor seeks to apply the Core Principles for Effective Banking Supervision as issued by the BCBS.

The Issuer, as a bank, is supportive of the SARB's objectives and endorses improvements in risk management and governance practices as an active participant in the new regulatory landscape. The same approach is also applied in respect of the Issuer's cooperation with other regulatory authorities and much effort and resources are dedicated in a cost-efficient manner in order to reap maximum benefits emanating from the implementation of best practice and the resultant enablement of its global business activities.

Currently the banking industry works within a three-tiered framework:

- (a) the Banks Act (effecting changes to the Banks Act requires Parliamentary approval);
- (b) the South African Regulations Relating to Banks (changes to the Regulations require the approval of the South African Minister of Finance);
- (c) Banks Act Circulars, directives and guidance notes:
 - (i) Circulars may be issued by the Registrar of Banks to furnish banks with guidelines regarding the application and interpretation of the provisions of the Banks Act;
 - (ii) Guidance notes may be issued by the Registrar of Banks in respect of market practices or market and industry developments; and
 - (iii) Directives may be issued by the Registrar of Banks, after consultation with the relevant parties, regarding the application of the Banks Act. It is obligatory for banks to comply with such directives.

The Banks Act and Regulations Relating to Banks, circulars, directives and guidance notes issued by the Registrar of Banks set out the framework governing the formal relationship between South African banks and the Bank Supervision Department of the SARB. The Bank and representatives of the office of the Registrar of Banks meet on a regular basis. These meetings include, among other, bilateral meetings (between the Bank's Board of Directors and the Bank Supervision Department of the SARB), annual trilateral meetings (between the Bank's Audit Committee, the Bank Supervision Department of the SARB and the Bank's auditors) and prudential meetings (which usually include meetings with risk management executives and the heads of each of the Bank's business divisions). The Bank also engages in frequent on-site reviews conducted by representatives and supervisory teams of the office of the Registrar of Banks.

In response to fundamental weaknesses in international financial markets, revealed by the recent global financial crisis, a large volume of new regulatory and supervisory standards and requirements were issued by international standard-setting bodies such as the BCBS. The incorporation of the changes and enhancements into the domestic regulatory framework requires an ongoing review of South African banking legislation and regulatory requirements in order to ensure the appropriate alignment of the regulatory

framework with international standards. In this regard, both the Banks Act and the Regulations relating to Banks are amended from time to time. As an example, implementation of Basel III, which will be based on a phased-in approach commencing on 1 January 2013, in line with the timelines determined by the BCBS, necessitate certain amendments to the legal framework for the regulation and supervision of banks in South Africa, which will be amended accordingly.

The Bank's relationship with the Office of the Registrar of Banks is managed by a dedicated regulatory risk management department (which reports to the CEO's office) to ensure open, constructive and transparent lines of communication. Meetings, updates, trends and strategies are reported to the Registrar of Banks on a regular basis. The Bank also employs a senior, independent compliance officer to ensure adherence to the applicable legislation.

The Bank views its relationship with the Registrar of Banks as being of the utmost importance and it is committed to fostering sound banking principles for the industry as a whole. In this regard, the Bank is a member of the Banking Association of South Africa, whose role is to establish and maintain the best possible platform on which banking groups can conduct competitive, profitable and responsible banking.

In light of the recent various global initiatives to strengthen the resilience of the banking sector in response to the global financial crisis, the Banking Supervision Department of the SARB has commenced with a process to comprehensively amend the regulatory framework. In this regard, various amendments to both the Banks Act and the Regulations Relating to Banks have been proposed with the effective date thereof scheduled for 1 January 2013.

Current Environment

As at 30 June 2012, there were 10 registered banks with local control, 2 mutual banks, 14 local branches of foreign banks and 43 foreign banks with approved representative offices in South Africa. The five largest commercial banks by assets (Source: BA900, June 2012) are Absa Bank Limited, FirstRand Bank Limited, Investec Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited, which continue to consolidate their position in the retail market (accounting for some 92 percent. of deposits and 91 percent. of total assets). Investment and merchant banking remains the most competitive sector in the industry. According to the SARB, the banking sector in South Africa had total assets of ZAR3.5 trillion as at 30 June 2012 (Source: BA900, June 2012).

Annexure D

ADDITIONAL/AMENDED OVERVIEW OF THE REGULATORY CAPITAL REQUIREMENTS RELATING TO THESE TRANCHES OF NOTES OF THE SERIES

The Programme Memorandum is amended by the deletion of the section headed “*Overview of Regulatory Capital Requirements*” on pages 114-117 in its entirety and the replacement thereof with the following –

OVERVIEW OF REGULATORY CAPITAL REQUIREMENTS

Capitalised terms used in this section headed “Overview of Regulatory Capital Requirements” shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context.

The following is a summary of the regulatory capital requirements which may be applicable to Capital Notes. The summary is of a general nature and is included herein solely for information purposes only. The summary set out below is a summary of the regulatory capital requirements as at the date of Programme Memorandum and may be subject to change or any Additional Conditions (which the Registrar of Banks may prescribe. Prospective investors in the Notes should therefore (i) read the summary below in conjunction with the Banks Act and the applicable regulations promulgated thereunder including, but not limited to, regulation 38 of the regulations promulgated under the Banks Act, and (ii) consult their own legal and professional advisers as to the effects thereof.

Capital Notes

The issue of Capital Notes requires the prior written approval of the Registrar of Banks in terms of section 79(1)(b) of the Banks Act.

Conditions for the issue of Capital Notes (such as hybrid-debt instruments that combine features of equity and debt) the proceeds of which rank as “primary share capital”

The Capital Notes the proceeds of which rank as “*primary share capital*” (as defined in the Banks Act):

- (a) shall not be payable to bearer;
- (b) shall be paid in full by the Noteholders on the date of issue and the proceeds shall be available to the Issuer without any limitation;
- (c) shall be free from any mandatory fixed charges;
- (d) shall be non-cumulative, that is, any interest or other servicing cost shall be non-cumulative;

- (e) may provide the Issuer with an option to settle any relevant interest or other servicing cost through the issue of ordinary shares in lieu of cash settlement;
- (f) shall enable the Issuer to absorb losses on a going concern basis;
- (g) shall be issued without a maturity date;
- (h) may make provision for a call option in terms of which the Issuer may redeem such Notes after a minimum initial period of five years, provided that such Notes shall be replaced with instruments of a similar or better quality unless the Registrar of Banks determines that the Issuer is duly capitalised;
- (i) may be redeemed only at the option of the Issuer and with the prior written approval of the Registrar of Banks;
- (j) may in addition to any call option make provision for one step-up in the initial rate payable in terms of such Notes but only after a minimum initial period of ten years provided that such Notes shall not contain any other feature or clause that creates an incentive to redeem them. Normally the call option and step-up feature may be regarded as synthetic redemption features embedded in such Notes. The said step-up in the initial rate shall be restricted to an increase over the initial rate of not more than:
 - (i) 100 basis points less the swap spread referred to below; or
 - (ii) 50 per cent. of the initial credit spread, less the swap spread referred to below.

The swap spread shall be determined at the pricing date of such Notes and shall relate to the differential in pricing at that date between the initial reference instrument or rate and the stepped-up reference instrument or rate;

- (k) shall be subordinated to claims of depositors, general creditors, senior creditors and any subordinated debt issued by the Issuer, the proceeds of which subordinated debt qualify as "*secondary capital*" or "*tertiary capital*" (each as defined in the Banks Act) of the Issuer, that is, any claim by a Noteholder in respect of the principal amount or any relevant interest or other servicing costs shall be subordinated to any claim from a depositor, general creditor, senior creditor or the holder of any subordinated debt of which the proceeds qualify as secondary capital or tertiary capital of the Issuer, provided that such Notes:
 - (i) may rank *pari passu* with the rights of a holder of any non-redeemable non-cumulative preference share of which the proceeds qualify as primary share capital;
 - (ii) may rank senior only in respect of the rights of an ordinary shareholder; and

- (l) issued by the Issuer to Noteholders shall contain the wording “*the proceeds obtained through the issue of this Note qualify as primary share capital for the Issuer in terms of the provisions of the Banks Act. Any direct or indirect acquisition of this Note by a bank or controlling company, as defined in the Banks Act, or by a non-bank subsidiary of a bank or controlling company, shall constitute a deduction against the primary share capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the Note*”.

Conditions for the issue of Capital Notes the proceeds of which rank as secondary capital

The Capital Notes, such as hybrid-debt instruments that combine features of equity and debt, the proceeds of which rank as “*secondary capital*” (as defined in the Banks Act):

- (a) shall not be payable to bearer;
- (b) shall be paid in full by the Noteholders on the date of issue and the proceeds of such Notes shall be available to the Issuer without any limitation;
- (c) may be cumulative;
- (d) shall enable the Issuer to absorb losses on a going concern basis;
- (e) shall be issued without a maturity date;
- (f) may make provision for a call option in terms of which the Issuer may redeem such Notes after a minimum initial period of five years, provided that such Notes shall be replaced with instruments of a similar or better quality, unless the Registrar of Banks determines that the Issuer is duly capitalised;
- (g) may be redeemed only at the option of the Issuer and with the prior written approval of the Registrar of Banks;
- (h) may in addition to any call option make provision for one step-up in the initial rate payable in terms of such Note after a minimum initial period of ten years. Normally the call option and step-up feature may be regarded as synthetic redemption features embedded in such Note. The said step-up in the initial rate shall be restricted to an increase over the initial rate of not more than:
 - (i) 100 basis points, less the swap spread referred to below; or
 - (ii) 50 per cent. of the initial credit spread, less the swap spread referred to below.

The swap spread shall be determined at the pricing date of such Note and shall relate to the differential in pricing at that date between the initial reference instrument or rate and the stepped-up reference instrument or rate;

- (i) shall be subordinated to claims from depositors, general creditors, senior creditors and any subordinated term debt issued by the Issuer the proceeds of which subordinated term debt qualify as secondary capital or tertiary capital of the Issuer, that is, any claim by a holder of such Note in respect of the principal amount or any relevant interest or other servicing costs shall be subordinated to any claim from a depositor, general creditor, senior creditor or the holder of any subordinated term debt of which the proceeds qualify as secondary capital or tertiary capital of the Issuer;
- (ii) issued by the Issuer to Noteholders shall contain the wording "*the proceeds obtained through the issue of this Note qualify as secondary capital for the issuing bank in terms of the provisions of the Banks Act. Any direct or indirect acquisition of this Note by a bank or a controlling company, as defined in the Banks Act, or by a non-bank subsidiary of a bank or controlling company, shall constitute a deduction against the secondary capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the Note*".

In the case of the Capital Notes, such as any term debt instruments which are not hybrid-debt instruments, the proceeds of which rank as "*secondary capital*" (as defined in the Banks Act):

- (a) the Issuer shall obtain the prior written approval of the Registrar of Banks before the Notes is issued;
- (b) the Notes shall not be payable to bearer;
- (c) no asset of the Issuer shall be pledged or otherwise encumbered as security for any liability by virtue of such Note;
- (d) the Notes shall be issued for a minimum original term to maturity of more than five years;
- (e) the Notes may be redeemed before maturity only at the option of the Issuer and with the prior written approval of the Registrar of Banks;
- (f) notwithstanding the provisions of any other Act, in the event of the winding-up of the Issuer, the capital amount and any related interest cost of the Notes shall not be repaid until the claims of other creditors have been fully satisfied;
- (g) in the event that the Notes makes provision for an interest rate step-up, such an interest rate step-up shall take effect only after a minimum period of more than five years from the issue date of the Notes;
- (h) issued by the Issuer to Noteholders shall contain the wording "*the proceeds obtained through the issue of this Note qualify as secondary capital for the issuing bank in terms of the provisions of the Banks Act. Any direct or indirect acquisition of this Note by a bank or a controlling company, as defined in the Banks Act, or by a non-bank subsidiary of a bank or controlling company, shall*

constitute a deduction against the secondary capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the Note"; and

- (i) the amount obtained by way of the issue of the Notes and which may in terms of the Banks Act rank as secondary capital, except in the case of such Notes that are to be converted into shares representing capital that may in terms of this section rank as primary or secondary capital, shall during the fifth year preceding the maturity of such Notes be reduced by an amount equal to 20 per cent. of the amount so obtained and, annually thereafter, by an amount that in each successive year is increased by 20 per cent. of the amount so obtained.

Conditions for the issue of Capital Notes the proceeds of which rank as tertiary capital

In the case of Capital Notes the proceeds of which rank as "*tertiary capital*" (as defined in the Banks Act):

- (a) the Issuer shall obtain the prior written approval of the Registrar of Banks before the Notes are issued;
- (b) the Notes shall be issued for a minimum original term to maturity of more than two years;
- (c) the Notes shall not be payable to bearer;
- (d) the Notes may be repaid before maturity only at the option of the Issuer and with the prior written approval of the Registrar of Banks;
- (e) no asset of the Issuer may be pledged or otherwise encumbered as security for any liability by virtue of the Notes;
- (f) notwithstanding the provisions of any other Act, in the event of the winding-up of the Issuer, the capital amount and any related interest cost of the Notes shall not be repaid until the claims of depositors and other creditors have been fully satisfied;
- (g) issued by the Issuer to Noteholders shall contain the wording "the proceeds obtained through the issue of this Note qualify as tertiary capital for the issuing bank in terms of the provisions of the Banks Act. Any direct or indirect acquisition of this Note by a bank or a controlling company, as defined in the Banks Act, or by a non-bank subsidiary of a bank or controlling company, shall constitute a deduction against the tertiary capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the Note"; and
- (h) in the event of the Issuer's qualifying capital falling below or being likely to fall below the prescribed minimum amount, the Registrar of Banks may require that interest and capital payments in respect of the Notes be deferred for such a period of time and subject to such conditions, if any, as the Registrar of Banks may determine.

Annexure E

ADDITIONAL/AMENDED SOUTH AFRICAN TAXATION RELATING TO THESE TRANCHES OF NOTES OF THE SERIES

The Programme Memorandum is amended by the deletion of the section headed “*South African Taxation*” on pages 119-120 in its entirety and the replacement thereof with the following –

SOUTH AFRICAN TAXATION

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

The following is a general description of certain South African tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in that country or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Programme Memorandum and is subject to any change in law that may take effect after such date.

Withholding Tax

Under current taxation law in South Africa, all payments made under the Notes to resident and non-resident Noteholders will be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in South Africa. However, there will be withholding tax (“**WHT**”) on interest payments to non-residents at 15 per cent., proposed to be effective from 1 July 2013 and applicable to interest that accrues, or is paid or that becomes due and payable on or after 1 July 2013. This WHT will apply to “*interest*” as defined in section 24J(1) of the Income Tax Act which is sourced in South Africa (refer below). There are exemptions, which extends to interest paid by any South African bank, excluding “back to back” arrangements between non-residents and a South African bank. As the Issuer is a South African bank, the interest paid by it will not attract WHT. In addition, interest paid in respect of any debt listed on a recognised exchange is exempt from the withholding tax. The interest rate market of the JSE Limited is a recognised exchange. On this basis the interest paid on the Notes would also qualify for this exemption from the WHT. The legislation may be subject to change before it is implemented on the current proposed date of 1 July 2013.

Securities Transfer Tax (STT)

No STT is payable on the issue or transfer of Notes (bonds) under the South African Securities Transfer Tax Act, No 25 of 2007, because they do not constitute securities for the purposes of that Act.

Value-Added Tax (VAT)

No VAT is payable on the issue or transfer of Notes.

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

Commissions, fees or similar charges raised for the facilitation of these services will however be subject to VAT at the standard rate (currently 14 per cent.), except where the recipient is a non-resident in which case such commissions, fees or similar charges may be subject to VAT at a zero rate.

Income Tax

Under current taxation law effective in South Africa, a "*resident*" (as defined in section 1 of the Income Tax Act) is subject to income tax on his/her world-wide income. Accordingly, all Noteholders who are "*residents*" of South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any interest earned pursuant to the Notes. Non-residents of South Africa are subject to income tax on all income derived from a South African source (subject to applicable double taxation treaties). Interest income is from a South African source if it is attributable to an amount incurred by a person that is a resident, unless the interest is attributable to a permanent establishment which is situated outside South Africa; or derived from the utilisation or application in South Africa by any person of funds or credit obtained in terms of any form of "interest-bearing arrangement". The Issuer is a resident of South Africa and the Notes will constitute an "interest-bearing arrangement". Accordingly, if the Notes are not attributable to a permanent establishment of the Issuer outside South Africa or the funds raised from the issuance of any Tranche of Notes are applied by the Issuer in South Africa, the interest earned by a Noteholder will be from a South African source and subject to South African income tax, unless such interest income is exempt from South African income tax under section 10(1)(h) of the Income Tax Act (see below).

Under section 24J of the Income Tax Act, any discount or premium to the Nominal Amount of a Note is treated as part of the interest income on the Note. Interest income which accrues (or is deemed to accrue) to a Noteholder is deemed, in accordance with section 24J of the Income Tax Act, to accrue on a day-to-day basis until that Noteholder disposes of the Note or until maturity, unless an election has been made by the Noteholder (if the Noteholder is entitled under Section 24J of the Income Tax Act to make such election) to treat its Notes as trading stock on a mark-to-market basis. This day-to-day basis accrual is determined by calculating the yield to maturity and applying it to the capital involved for the relevant tax period. The interest may qualify for the exemption under section 10(1)(h) of the Income Tax Act.

Under section 10(1)(h) of the Income Tax Act, interest received by or accruing to a Noteholder who, or which, is not a resident of South Africa during any year of assessment, is exempt from income tax, unless that person:

- (a) is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during that year of assessment; or

- (b) at any time during that year of assessment, carried on business through a permanent establishment in South Africa.

If a Noteholder does not qualify for the exemption under section 10(1)(h) of the Income Tax Act, exemption from, or reduction of, any South African tax liability may be available under an applicable double taxation treaty. Furthermore, certain entities may be exempt from South African income tax. Purchasers are advised to consult their own professional advisers as to whether the interest income earned on the Notes will be exempt under section 10(1)(h) of the Income Tax Act or under an applicable double taxation treaty.

Capital Gains Tax

Capital gains and losses of residents of South Africa on the disposal of Notes are subject to South African capital gains tax, unless the Notes are purchased for re-sale in the short term at a profit or as part of a scheme of profit making, in which case the proceeds will be subject to South African income tax. Any discount or premium on acquisition which has already been treated as interest for income tax purposes, under section 24J of the Income Tax Act will not be taken into account when determining any capital gain or loss. Under section 24J(4A) of the Income Tax Act a loss on disposal will, to the extent that it has previously been included in taxable income (as interest), be allowed as a deduction from the taxable income of the holder when it is incurred and accordingly will not give rise to a capital loss.

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

Purchasers are advised to consult their own professional advisers as to whether a disposal of Notes will result in a liability to capital gains tax.

Definition of interest

The references to "*interest*" above mean "*interest*" as understood in South African tax law. The statements above do not take any account of any different definitions of "*interest*" or "*principal*" which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.

Annexure F

ADDITIONAL DEFINITIONS IN RESPECT OF THESE TRANCHES OF NOTES OF THE SERIES

Terms and expressions set out below will have the meanings set out below in the Terms and Conditions of the Notes of the Tranches referred to in this Applicable Pricing Supplement:

"Bank" means the Issuer;

"CSD" means, the person who is licensed as a central securities depository under section 32 of the Securities Services Act;

"Closing Price" means, in relation to the Notes, the closing price on each Business Day as published by the JSE;

"Depositor" means any person having a claim against the Issuer in respect of a "*deposit*" (as defined in the South African Banks Act, 1990);

"Early Redemption Amount (Tax Deductibility)" means, in respect of any Note, the Early Redemption Amount (Tax Deductibility) specified in the relevant Applicable Pricing Supplement;

"Early Redemption Amount (Tax Gross up)" means, in respect of any Note, the Early Redemption Amount (Tax Gross up) specified in the relevant Applicable Pricing Supplement;

"FSD" the Financial Surveillance Department of the SARB;

"Independent Investment Bank" means the independent investment bank or financial institution of international repute selected and appointed by the Issuer (at the Issuer's expense) for the purposes of performing one or more of the functions expressed to be performed by it under these Conditions;

"Permitted Security Interest" means any Security Interest created or outstanding upon any property or assets (including current and/or future revenues, accounts receivables and other payments) of the Issuer or any Subsidiary arising out of any securitisation of such property or assets or other similar asset backed finance transaction in relation to such property or assets where:

(A)

- (i) the payment obligations secured by such Permitted Security Interest are to be discharged primarily from, and recourse under such Permitted Security Interest is limited to, the proceeds of such property or assets or a guarantee from an entity other than a Group entity; and

- (ii) such Security Interest is created pursuant to any securitisation, asset-backed financing or like arrangement in accordance with normal market practice; and/or

(B)

the Relevant Indebtedness secured by such Security Interest has been issued in order to secure the obligations of the Issuer or any Subsidiary to the SARB in respect of any liquidity facility provided by the SARB to the Issuer or any Subsidiary.

"Regulatory Change" means a change in, or amendment to, the Capital Regulations or any change in the application of or official or generally published guidance or interpretation of the Capital Regulations, which change or amendment (i) becomes, or would become, effective on or after the Issue Date of the first Tranche of Notes of the relevant Series and (ii) was not, in the opinion of the Issuer, reasonably foreseeable as at the Issue Date of the first Tranche of Notes of the relevant Series;

"Regulatory Event" means [an event which is deemed to have occurred if, with respect to the Notes of any Series which comprise Tier 2 Capital on the Issue Date of the first Tranche of Notes of that Series, the aggregate outstanding nominal amount of the Notes of that Series is, as a result of a Regulatory Change, fully excluded from Tier 2 Capital of the Issuer on a solo and/or consolidated basis (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital)];

"Senior Creditors" means creditors of the Issuer who are either unsubordinated creditors of the Issuer or whose claims are, or are expressed to be, subordinated to the claims of other creditors, whether subordinated or unsubordinated, of the Issuer other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, Tier 2 Noteholders;

"Tax Event" means either a Tax Event (Deductibility) or Tax Event (Gross Up), as the context may require;

"Tax Event (Deductibility)" means an event where, as a result of a Tax Law Change, in respect of the Issuer's obligation to make any payment of interest on the next following Interest Payment Date or any subsequent Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in South Africa, or such entitlement is materially reduced, and in each case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it (such reasonable measures to exclude any requirement to instigate litigation in respect of any decision or determination of the South African Revenue Service that any such interest does not constitute a tax deductible expense);

"Tax Event (Gross Up)" means an event where, as a result of a Tax Law Change, the Issuer has paid or will or would on the next Interest Payment Date be required to pay additional amounts as provided or referred to in Condition 12 (*Taxation*), provided that, in the case of Tier 2 Notes only, no Tax Event (Gross up) shall be deemed to have occurred if a Tax Event (Deductibility) has occurred as a result of the same Tax Law Change;

"Tax Law Change" means a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of South Africa, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), whether or not having retrospective effect, which change or amendment (i) is announced on or after the Issue Date of the first Tranche of Notes of the relevant Series and (ii) in the case of Tier 2 Notes only, was not, in the opinion of the Issuer, reasonably foreseeable as at the Issue Date of the first Tranche of Notes of the relevant Series;

"Tier 2 Capital" means Tier 2 capital of the Issuer for the purposes of the Capital Regulations applicable to the Issuer;

"Tier 2 Noteholder" means a Noteholder of Tier 2 Notes; and

"Tier 2 Notes" means the Notes specified as such in this Applicable Pricing Supplement and the proceeds of which are capable of qualifying as Tier 2 Capital on the Issue Date.