
APPLICABLE PRICING SUPPLEMENT

K2014176899 (SOUTH AFRICA) LIMITED

(Incorporated with limited liability in the Republic of South Africa under Registration Number 2014/176899/06)

To change its name to

AFRICAN BANK LIMITED

On the Issue Date

("The ISSUER")

Issue of ZAR1 485 000 000 Subordinated Unsecured Floating Rate Tier 2 Notes (subject to Conversion upon the occurrence of a Trigger Event)

Under its ZAR25 000 000 000 Domestic Medium Term Note Programme

Stock Code ABKS1

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 set forth in the Programme Memorandum dated 22 March 2016 and approved by the JSE on 22 March 2016, prepared by the Issuer in connection with the ZAR25 000 000 000 Domestic Medium Term Note Programme of the Issuer, as amended or supplemented from time to time (the "**Programme Memorandum**").


Any capitalised terms not defined in this Applicable Pricing Supplement shall have the meanings ascribed to them in the section of the Programme Memorandum headed "**Terms and Conditions of the Notes**".

The Notes described in this Applicable Pricing Supplement are issued on and subject to the Terms and Conditions in the Programme Memorandum and 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.

The Tier 2 Notes issued under and pursuant to this Applicable Pricing Supplement are intended to qualify as capital for the issuing bank in terms of the provisions of the Banks Act. Any direct or indirect acquisition of the Tier 2 Notes issued or to be issued under and pursuant to this Applicable Pricing Supplement 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 relevant Tier 2 Notes.

The Tier 2 Notes issued or to be issued under and pursuant to this Applicable Pricing Supplement constitute direct, unsecured and subordinated obligations of the Issuer and rank: (i) pari passu without any preference among themselves (ii) save for those that have been accorded preferential rights by law, at least pari passu with all other subordinated obligations of the Issuer (other than any subordinated obligations which rank or are expressed to rank senior to the Issuer's obligations under the Tier 2 Notes) including but not limited to subordinated obligations in the form of other Tier 2 Notes and Tier 2 Capital, whether issued before the date of issue of the Tier 2 Notes or thereafter, (iii) ahead of and in priority to all Junior Obligations, and (iv) behind in priority to all claims of Depositors and Senior Creditors.

In the event of the dissolution of the Issuer or if the Issuer is wound-up or put into liquidation or curatorship, voluntarily or involuntarily, the claims of Tier 2 Noteholders shall be subordinated to the claims of Depositors and Senior Creditors. In any such event, no amount shall be payable to any Tier 2 Noteholders under the Tier 2 Notes issued or to be issued under and pursuant to this Applicable Pricing Supplement until the claims of Depositors and Senior Creditors which are admissible in any such dissolution, winding-up, liquidation or curatorship have been paid or discharged in full as more fully set out in Condition 5.2.



The Relevant Regulator has approved the issue of the Tier 2 Notes issued or to be issued under and pursuant to this Applicable Pricing Supplement in terms of the Banks Act (as read with Regulation 38(14)(a)(ii) of the "Regulations Relating to Banks" promulgated under the Banks Act) and for such Tier 2 Notes to rank as "tier 2 capital" as defined in the Banks Act.

The Tier 2 Notes represented by this Certificate are issued for a minimum period of 5 years and one day. The Tier 2 Notes represented by this Certificate may be redeemed, purchased, cancelled, (in whole or in part), modified, substituted or varied before the Maturity Date (stipulated in this Certificate) only at the option of the Issuer and subject to compliance with Condition 8.8.

DESCRIPTION OF NOTES

1. Issuer	K2014176899 (SOUTH AFRICA) LIMITED (Registration Number 2014/176899/06) to change its name to African Bank Limited on the Issue Date
2. Status of Notes	Subordinated, unsecured Tier 2 Notes intended to qualify as Tier 2 Capital. In accordance with the Capital Regulations, Tier 2 Notes issued under and pursuant to this Applicable Pricing Supplement will be subject to Conversion if a Trigger Event occurs in relation to the Issuer.
3. Series Number	17
4. Tranche Number	1
5. Aggregate Nominal Amount:	
• (a) Series	ZAR1 485 000 000
• (b) Tranche	ZAR1 485 000 000
6. Interest	Interest-bearing
7. Interest Payment Basis	Floating Rate
8. Automatic/Optional Conversion from one Interest/Redemption/Payment Basis to another	N/A
9. Form of Notes	Registered Notes: The Notes in this Tranche are issued in uncertificated form to the CSD.
10. Issue Date	4 April 2016
11. Settlement Date	4 April 2016
12. Maturity Date	4 April 2026
13. Maturity Period	Subject to the applicable Capital Regulations, the Tier 2 Notes will have a minimum maturity of five years and one day.
14. Nominal Amount per Note	ZAR1,000,000
15. Specified Denomination	ZAR1,000,000
16. Issue Price	100 per cent of the Nominal Amount of each Note.
17. Interest Commencement Date	1 December 2015
18. Payment Day (if different from that set out in Condition 7.6)	N/A
19. Specified Currency	ZAR

20. Final Redemption Amount 100 per cent of the outstanding Nominal Amount of each Note (calculated, if applicable, after taking account of any Conversion required pursuant to the Contractual Conversion Condition).
21. Books Closed Period(s) The Register will be closed from 24 June to 3 July, 24 September to 3 October, 25 December to 3 January and 25 March to 3 April (all dates inclusive) in each year until the Maturity Date provided that should an early redemption occur, the Register shall be closed on the date that is 10 days prior to such redemption date.
22. Last Day to Register By 17h00 on 23 June, 23 September, 24 December and 24 March, of each year until the Maturity Date provided that should an early redemption occur, then that date is 11 days prior to such redemption date.
23. Business Centre Johannesburg
24. Additional Business Centre N/A
25. Description of Underlying Asset N/A
26. Note Linked to another Listed Instrument N/A

FLOATING RATE NOTES

27. (a) Floating Interest Payment Date(s) 4 April 2016 and each of 4 July, 4 October, 4 January and 4 April of each year occurring after the Issue Date up to and including the Maturity Date or any earlier redemption date, with the first Floating Interest Payment Date being 4 April 2016 (each such date being subject to the applicable Business Day convention set out in paragraph (d) below).
- (b) Interest Period(s) Each period from, and including, one Interest Payment Date to, but excluding, the next following Interest Payment Date, provided that the first Interest Period shall be from and including the Interest Commencement Date to, but excluding, the first Floating Interest Payment Date.
- (c) Interest Rate Reference Rate plus the Margin per annum.
- (d) Definition of Business Day (if different from that set out in the Terms and Conditions) Modified Following Business Day Convention
- (e) Minimum Rate of Interest N/A
- (f) Maximum Rate of Interest N/A
- (g) Day Count Fraction Actual/365 (Fixed)
- (h) Other terms relating to the method of calculating interest For the sake of clarity, as the first Interest Period is greater than 3 Months, interest accrued as at 1 March 2016 shall be compounded on such date to calculate the Interest Amount for the first Interest Period.
28. Manner in which the Rate of Interest is to be determined Screen Rate Determination
29. Margin 725 basis points (to be added to the relevant

	Reference Rate to determine the Interest Rate).
30. If ISDA Determination:	N/A
31. If Screen Determination:	
(a) Reference Rate (including relevant period by reference to which the Rate of Interest is to be calculated)	3 month ZAR-JIBAR
(b) Interest Rate Determination Date(s)	1 December 2015, 30 March 2016 and each of 4 July, 4 October, 4 January and 4 April, of each year occurring after the Issue Date and until the Maturity Date (subject to the applicable Business Day definition set out in item 27(d) above. The Interest Rate Determination Date for the first Interest Period commencing on the Interest Commencement Date shall be 1 December 2015 and the Interest Rate Determination Date for the second Interest Period commencing on 4 April 2016 shall be 30 March 2016.
(c) Relevant Screen Page and Reference Code	Reuters Code: SAFEY Reference Code: J2Y or any successor page
(d) Relevant Time	Approximately 11h00
32. If Rate of Interest to be calculated otherwise than by ISDA Determination or Screen Determination, insert basis for determining Rate of Interest/Margin/Fallback provisions	N/A
33. Calculation Agent responsible for calculating amount of principal and interest	the Issuer
PROVISIONS REGARDING REDEMPTION/MATURITY	<i>Subject to the applicable Capital Regulations</i>
34. Prior consent of Relevant Regulator for any redemption prior to Maturity Date	Yes
35. Redemption at the Option of the Issuer:	Yes, subject to the applicable Capital Regulations and Condition 8.8.
If yes:	
(a) Optional Redemption Date(s)	5 April 2021, and every Business Day thereafter, subject to the Terms and Conditions and the applicable Capital Regulations.
(b) Minimum period of notice (if different from Condition 8.4)	N/A
(c) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s)	100 per cent of the outstanding Nominal Amount of each Note.
(d) If redeemable in part:	No
Minimum Redemption Amount(s)	N/A
Higher Redemption Amount(s)	N/A

(e) Other terms applicable on Redemption	See Conditions 8.2, 8.3, and 8.4 and the applicable Capital Regulations.
36. Redemption at the Option of the Senior Noteholders	No
37. Early Redemption Amount(s) payable on redemption for taxation reasons or on redemption for regulatory reasons or on Event of Default (if required).	100 per cent of the outstanding Nominal Amount of each Note (calculated, if applicable, after taking account of any Conversion required pursuant to the Contractual Conversion Condition).
TIER 2 NOTES	Yes
TRIGGER EVENT	Applicable to Tier 2 Notes
38. Contractual Conversion Condition	Applicable. Conditions 5.3 to 5.5 and 5.7 to 5.10.
If applicable:	
(a) Conversion Price	Determined in the manner set out in Annexure A hereto
(b) Conversion Record Date if different from the Conditions	Not Applicable
(c) Conversion Settlement Date if different from the Conditions	Not Applicable
(d) Time period for the delivery of the Issuer Conversion Price Notice if different from the Condition 5.4.2	10 Business Days
39. Contractual Write-Off Condition	Not Applicable
OTHER TIER 2 PROVISIONS	Applicable
40. Additional Conditions	Not Applicable
41. Other provisions applicable to Tier 2 Notes	Additional terms and conditions and definitions relating to this Series of Tier 2 Notes Annexure A
42. Substitution and Variation for Tier 2 Notes	Applicable
43. Substitution and Variation for Tier 2 Notes upon a Change in Law	Applicable
44. Amendment Option to disapply Contractual Conversion Condition for Tier 2 Notes pursuant to Condition 5.8	Applicable
45. Amendment Option to disapply Contractual Write-off Condition for Tier 2 Notes pursuant to Condition 5.8	Not Applicable
GENERAL	
46. Arranger	The Issuer
47. Financial Exchange	Interest Rate Market of the JSE
48. Additional selling restrictions	N/A
49. ISIN No.	ZAG000134412
50. Stock Code	ABKS1
51. Stabilising manager	N/A
52. Provisions relating to stabilisation	N/A
53. Method of distribution	Private Placement to African Bank Limited (in

- curatorship) registration number 1975/002526/06 ("Old African Bank") as part of the Restructuring and will be issued in consideration for the transfer to the Issuer by Old African Bank of certain parts of it business as part of the Restructuring.
54. Rating assigned to the Issuer (if any) B+ (Global scale long term foreign currency preliminary issuer rating)
55. Rating Agency Standard & Poor's Ratings Services
56. Date of Rating 4 February 2016
57. Date of next Rating Review 3 February 2017 (or earlier)
58. Governing law (if the laws of South Africa are not applicable) N/A
59. The notice period required for exchanging Uncertificated Notes for Individual Certificates 30 days prior to the requested Exchange Date.
60. Surrendering of Notes in the case of Notes represented by an Individual Certificate The Issuer shall not be obliged to make or cause to be made any payment in respect of the final redemption of a Registered Note represented by an Individual Certificate until at least 7 days has passed since the date on which the Individual Certificate in respect of the Tier 2 Notes to be redeemed has been surrendered to the Transfer Agent at its Specified Office.
61. Use of Proceeds The Notes are issued to African Bank Limited (in curatorship) registration number 1975/002526/06 ("Old African Bank") as part of the Restructuring and will be issued in consideration for the transfer to the Issuer by Old African Bank of certain parts of it business as part of the Restructuring. The proceeds of the Tier 2 Notes are intended to qualify as Tier 2 Capital for purposes of providing the Issuer with regulatory capital.
62. Aggregate Nominal Amount of Notes in Issue ZAR10.153 billion taking into consideration all Notes issued by the Issuer on 4 April 2016, including these Notes
63. Programme Amount The Programme Amount has not been exceeded.
64. Other provisions (including additional covenants, if any) Additional terms and conditions and definitions relating to this Series of Tier 2 Notes Annexure A

ADDITIONAL TERMS AND CONDITIONS AND DEFINITIONS RELATING TO THIS SERIES OF TIER 2 NOTES - SEE ANNEXURE "A"

ADDITIONAL RISK FACTORS RELATING TO THESE TRANCHES OF NOTES OF THE SERIES - SEE ANNEXURE "B"

Responsibility:

The Issuer certifies that, to the best of its knowledge and belief, there are no facts that have been omitted which would make any statements in this Applicable Pricing Supplement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this Applicable Pricing Supplement contains all information required by law and the JSE Debt Listings Requirements.

The Issuer accepts full responsibility for the accuracy of the information contained in the Programme Memorandum, this Applicable Pricing Supplements, the annual report, the amendments to the annual report and/or any supplements from time to time, except as otherwise stated therein.

Application is hereby made to list this issue of Notes on 4 April 2016.

SIGNED at Midrand on 30 March 2016

For and on behalf of

K2014176899 (SOUTH AFRICA) LIMITED

(Registration Number 2014/176899/06)

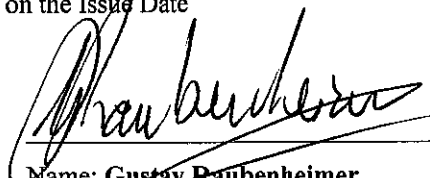
to change its name to AFRICAN BANK LIMITED on the Issue Date



Name: **Brian Riley**

Capacity:

Who warrants his/her authority hereto



Name: **Gustav Raubenheimer**

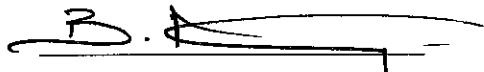
Capacity:

Who warrants his/her authority hereto

SIGNED at Midrand on 30 March 2016

For and on behalf of

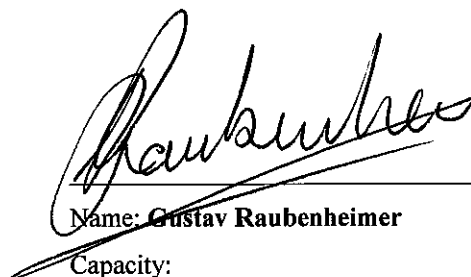
AFRICAN BANK HOLDINGS LIMITED



Name: **Brian Riley**

Capacity:

Who warrants his/her authority hereto



Name: **Gustav Raubenheimer**

Capacity:

Who warrants his/her authority hereto

ANNEXURE A TO APPENDIX B

ADDITIONAL TERMS AND CONDITIONS AND DEFINITIONS RELATING TO THIS SERIES OF TIER 2 NOTES

The additional Terms and Conditions set out in this Annexure A 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.

CONDITION A**A1 CONVERSION PRICE**

The "Conversion Price" per Controlling Company Share in respect of the Tier 2 Notes is determined as follows:

- (i) If on the date of occurrence of the Trigger Event, the Controlling Company Shares are admitted to trading on a Relevant Stock Exchange, the Conversion Price per Controlling Company Share shall be the greater of:
 - (A) the Conversion Closing Price of a Controlling Company Share on the date of the occurrence of the Trigger Event; and
 - (B) the Unlisted CC Share Conversion Price.
- (ii) If on the date of occurrence of the Trigger Event, the Controlling Company Shares are not admitted to trading on a Relevant Stock Exchange, the Conversion Price per Controlling Company Share shall be the Unlisted CC Share Conversion Price.

The "Unlisted CC Share Conversion Price" is ZAR4.00 representing 20% of the book value of the Controlling Company Shares as at the Issue Date (based on a book value of ZAR20 per Controlling Company Share of a par value of ZAR0.01 each) as calculated by the Issuer on a per share basis. The Unlisted CC Share Conversion Price is subject to certain anti-dilution adjustments as described in Condition A2 below.

Once a Tier 2 Notes has been converted into Controlling Company Share, there is no provision for the reconversion of such Controlling Company Share back into Tier 2 Notes.

A2 ADJUSTMENTS TO UNLISTED CC SHARE CONVERSION PRICE

Upon the happening of any of the events described below, the Unlisted CC Share Conversion Price shall be adjusted in the manner set out in this Condition A2.

(i) Consolidation and Subdivision of Controlling Company Shares

If and whenever there shall be a consolidation, reclassification, redesignation or subdivision in relation to Controlling Company Shares which alters the number of Controlling Company Shares in issue, the Unlisted CC Conversion Price shall be adjusted by multiplying the Unlisted CC Share Conversion Price in force immediately prior to such consolidation, reclassification, redesignation or subdivision by the following fraction:

$$A / B$$

where:

- A** is the aggregate number of Controlling Company Shares existing in issue immediately before such consolidation, reclassification, redesignation or subdivision, as the case may be; and
- B** the aggregate number of Controlling Company Shares in issue immediately after, and as a result of such consolidation, reclassification, redesignation or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation, reclassification, redesignation or subdivision, as the case may be, takes effect.

(ii) Capitalisation of profits or reserves

If and whenever the Controlling Company shall issue any Controlling Company Shares to Shareholders credited as fully paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than where:

- (1) any such Controlling Company Shares are or are to be issued instead of the whole or part of a Cash Dividend which the Shareholders would or could otherwise have elected to receive;
- (2) the Shareholders may elect to receive a Cash Dividend in lieu of such Controlling Company Shares; or
- (3) any such Controlling Company Shares are or are expressed to be issued in lieu of a Dividend (whether or not a Cash Dividend equivalent or amount is announced or would otherwise be payable to the Shareholders, whether at their election or otherwise),

the Unlisted CC Share Conversion Price shall be adjusted by multiplying the Unlisted CC Share Conversion Price in force immediately prior to such issue by the following fraction:

$$A / B$$

where:

- A** is the aggregate number of Controlling Company Shares in issue immediately before such issue; and
- B** is the aggregate number of Controlling Company Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Controlling Company Shares.

(iii) Right Issues

If and whenever

- (1) the Controlling Company shall issue Controlling Company Shares to Shareholders as a class by way of rights, or
- (2) the Controlling Company or any member of the Controlling Company Group or (at the direction or request or pursuant to arrangements with the Controlling Company or any member of the Controlling Company Group) any other company, person or entity shall issue or grant to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase Controlling Company Shares, or any Relevant Securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Controlling Company Shares (or shall grant any such rights in respect of existing Relevant Securities so issued),

in each case at a price per Controlling Company Share which is less than 95 per cent. of the Current Market Price per Controlling Company Share on the Effective Date, the Unlisted CC Conversion Price shall be adjusted by multiplying the Unlisted CC Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A** is the number of Controlling Company Shares in issue on the Effective Date;
- B** is the number of Controlling Company Shares which the aggregate consideration (if any) receivable for the Controlling Company Shares issued by way of rights, or for the Relevant Securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Controlling Company Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Controlling Company Share on the Effective Date; and
- C** is the number of Controlling Company Shares to be issued or, as the case may be, the maximum number of Controlling Company Shares which may be issued upon exercise of

such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate,

provided that if, on the Effective Date, such number of Controlling Company Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time, then for the purposes of this Condition A2 (iii) shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Effective Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Effective Date.

Such adjustment shall become effective on the Effective Date.

"Effective Date" means, in respect of this Condition A2 (iii), the first date on which the Controlling Company Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

(iv) General

Notwithstanding the foregoing provisions:

- (1) where the events or circumstances giving rise to any adjustment pursuant to this Condition A2 have already resulted or will result in an adjustment to the Unlisted CC Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Unlisted CC Conversion Price or where more than one event which gives rise to an adjustment to the Unlisted CC Conversion Price occurs within such a short period of time that, in the opinion of the Controlling Company, acting reasonably or Tier 2 Noteholders (decided by Extraordinary Resolution), a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Financial Adviser to be in its opinion appropriate to give the intended result; provided that in order to benefit from this Condition A2(iv)(1), such determination must have been completed prior to the Conversion Record Date, failing which the Unlisted CC Conversion Price in force immediately prior thereto shall remain of application;
- (2) such modification shall be made to the Terms and Conditions applicable to Tier 2 Notes and the operation thereof as may be determined in good faith by an Independent Financial Adviser to be in its opinion appropriate to ensure that an adjustment to the Unlisted CC Conversion Price or the economic effect thereof shall not be taken into account more than once;
- (3) for the avoidance of doubt, the issue of Controlling Company Shares upon a Conversion or upon any conversion or exchange in respect of any other Tier 2 Notes or other Tier 2 Capital instruments or Additional Tier 1 Capital instruments of the Issuer in accordance with the Capital Regulations and any other Applicable Law, regulation or guidance note issued by the Relevant Regulator and/or written instructions received from the Relevant Regulator or the exercise of any other options, warrants or other rights shall not result in an adjustment to the Unlisted CC Conversion Price; and
- (4) at any time when the Controlling Company Shares are not admitted to trading on a Relevant Stock Exchange, the date upon which any adjustment becomes effective shall be determined in good faith by an Independent Financial Adviser in such manner as it considers appropriate to ensure that an adjustment to the Unlisted CC Conversion Price is made which gives the intended same result as if the Controlling Company Shares were so admitted to trading

A3 NOTICE OF ADJUSTMENTS

Notice of any adjustments to an Unlisted CC Conversion Price shall be given by the Issuer or the Controlling Company to the Tier 2 Noteholders in accordance with Condition 16 promptly after the determination thereof.

A4 DECISION OF AN INDEPENDENT FINANCIAL ADVISER

If any doubt shall arise as to whether an adjustment falls to be made, or as to the appropriate adjustment, to the Unlisted CC Conversion Price pursuant to Condition A2, and following consultation between the Controlling Company and an Independent Financial Adviser, a written

opinion of such Independent Financial Adviser in respect thereof shall be conclusive and binding on the Controlling Company and the Tier 2 Noteholders, save in the case of manifest error.

A5 SHARE OPTION SCHEMES

No adjustment will be made to the Unlisted CC Conversion Price if Controlling Company Shares or Relevant Securities (or rights thereto) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted to, or for the benefit of, directors or employees, or former directors or employees, of the Controlling Company or any of its subsidiaries or any associated company or to trustees to be held for the benefit of any such person in any such case pursuant to any employee share or option scheme.

A6 ROUNDING DOWN

On any adjustment, the resultant Unlisted CC Conversion Price, if a number that is of more decimal places than the initial Unlisted CC Conversion Price, shall be rounded to such decimal place.

No adjustment shall be made to the Unlisted CC Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Unlisted CC Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Unlisted CC Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

A7 ADDITIONAL DEFINITIONS APPLICABLE TO CONDITION A

- | | |
|------------------------------------|---|
| "Cash Dividend" | any Dividend in respect of Controlling Company Shares which is to be paid or made to Shareholders as a class in cash (in whatever currency); |
| "Closing Price" | at any time when the Controlling Company Shares are admitted to trading on a Relevant Stock Exchange, at a particular date, the closing price of the Controlling Company Shares on that date, as published by the Relevant Stock Exchange; |
| "Controlling Company Group" | the Controlling Company, and all its subsidiaries; |
| "Conversion Closing Price" | <p>in respect of a Controlling Company Share at a particular date, the average of the daily Closing Price of a Controlling Company Share on each of the five consecutive Dealing Days ending on the Dealing Day immediately preceding such date; provided that, if at any time during the said five-dealing-day period the Closing Price shall have been based on a price ex-Dividend (or ex- any other entitlement) and during some other part of that period the Closing Price shall have been based on a price cum-Dividend (or cum- any other entitlement), then:</p> <p>(i) if the Controlling Company Shares to be issued or delivered do not rank for the Dividend (or entitlement) in question, the Closing Price on the dates on which the Controlling Company Shares shall have been based on a price cum-Dividend (or cum- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Controlling Company Share as at the date of first public announcement relating to such Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit; or</p> |

- (ii) if the Controlling Company Shares to be issued or delivered do rank for the Dividend (or entitlement) in question, the Closing Price on the dates on which the Controlling Company Shares shall have been based on a price ex-Dividend (or ex- any other entitlement) shall, for the purposes of this definition, be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such Dividend or entitlement per Controlling Company Share as at the date of first public announcement relating to such Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit;

and provided further that, if on each of the said five dealing days the Closing Price shall have been based on a price cum-Dividend (or cum- any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Controlling Company Shares to be issued or delivered do not rank for that Dividend (or other entitlement), the Closing Price on each of such dates shall, for the purposes of this definition, be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Controlling Company Share as at the date of first public announcement relating to such Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

and provided further that, if the Closing Price of a Controlling Company Share is not available on one or more of the said five Dealing Days (disregarding for this purpose the proviso to the definition of Closing Price), then the average of such Closing Prices which are available in that five-dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Closing Price is available in the relevant period, the Current Market Price shall be determined in good faith by an Independent Financial Adviser;

“Current Market Price”

- (i) at any time when the Controlling Company Shares are admitted to trading on a Relevant Stock Exchange, at a particular date, the Current Market Price of the Controlling Company Shares on that date, shall be determined as if the definition of “Conversion Closing Price” *mutatis mutandis* applied, save that every reference in the definition of “Conversion Closing Price” to the “Closing Price” shall be deemed for such purpose to be replaced with “Volume Weighted Average Price”; and
- (ii) at any time when the Controlling Company Shares are not admitted to trading on a Relevant Stock Exchange, at a particular date, the Current Market Price of the Controlling Company Shares on that date shall be determined in good faith by an Independent Financial Adviser in such manner as it considers appropriate to ensure that an adjustment to the Unlisted CC Conversion Price is made which gives the intended same result as if the Controlling Company Shares were so admitted to trading;

“Dealing Day”

a day on which the Relevant Stock Exchange or relevant market is open for business and on which Controlling Company Shares may be dealt in;

"Dividend"	any dividend or distribution in respect of the Controlling Company Shares whether of cash, assets, shares or other property and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve account, and including a distribution or payment to holders upon or in connection with a reduction of capital;
"Relevant Securities"	any equity securities including, without limitation, shares in the capital of the Controlling Company, or options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of the Controlling Company (and each a "Relevant Security");
"Relevant Stock Exchange"	the JSE or if at the relevant time the Controlling Company Shares are not at that time listed and admitted to trading on the JSE, the principal stock exchange or securities market on which the Controlling Company Shares are then listed, admitted to trading or quoted or dealt in;
"Shareholders"	the holders of Controlling Company Shares;
"Unlisted CC Share Conversion Price"	is ZAR4.00 representing 20% of the book value of the Controlling Company Shares as at the Issue Date (based on a book value of ZAR20 per Controlling Company Share of a par value of ZAR0.01 each as calculated by the Issuer on a per share basis), subject to adjustment in accordance with Condition A2; and
"Volume Weighted Average Price"	in respect of a Controlling Company Share admitted to trading on a Relevant Stock Exchange on any Dealing Day, the order book volume weighted average price in ZAR of a Controlling Company Share (rounded to the nearest second decimal place) published or derived from the relevant page of the Bloomberg Financial Markets Service or such other source as shall be determined in good faith to be appropriate by an Independent Financial Adviser on such Dealing Day; provided that if on any such Dealing Day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price, in respect of such Dealing Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Dealing Day on which the same can be so determined or determined as an Independent Financial Adviser might otherwise determine in good faith to be appropriate.

ANNEXURE "B" TO APPENDIX B

ADDITIONAL 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 inclusion of the additional risk factors listed below:

The Notes will be subject to Conversion following the occurrence of the Trigger Event, in which case the Noteholders will receive Controlling Company Shares in exchange for their Notes.

Upon Conversion following the Trigger Event, the Notes will be exchanged for Controlling Company Shares and, simultaneously with such exchange being implemented, the Notes (then owned by the Controlling Company) will be converted to Issuer Shares issued to the Controlling Company. Upon Conversion, all of the Issuer's obligations under the Notes will be irrevocably discharged and satisfied and under no circumstances will such released obligations be reinstated. As a result, Noteholders could lose all or part of the value of their investment in the Notes.

Any Controlling Company Shares received by Noteholders upon Conversion may have a market value significantly below the Conversion Amount (comprising the aggregate Nominal Amount of the Notes and any accrued but unpaid interest in respect thereof) outstanding immediately prior to Conversion on the Conversion Settlement Date of the Notes held by a Noteholder. Although the market value of the Controlling Company Shares received by a Noteholder on Conversion could increase over time, the Conversion Price at the time the Controlling Company Shares are issued may not reflect the market value of the Controlling Company Shares, which could be significantly different to the Conversion Price. Furthermore, upon Conversion, Noteholders will no longer have any claim against the Issuer in respect of the Notes.

Any such Conversion will be irrevocable and, upon Conversion, Noteholders will not be entitled to any form of compensation in the event of the Issuer's potential recovery. In addition, on or after the occurrence of the Trigger Event, if the Controlling Company does not deliver Controlling Company Shares in terms of the Terms and Conditions, the only claims Noteholders will have against the Issuer and the Controlling Company will be to apply to the court to obtain an order requiring the Controlling Company to issue and deliver such Controlling Company Shares as contemplated in the Terms and Conditions.

Once the Controlling Company Shares to be delivered on Conversion have been issued and delivered in terms of the Terms and Conditions, the only claims Noteholders will have will be against the Participant (if applicable) managing the relevant Securities Account for delivery of the Controlling Company Shares.

Holders may be subject to take over requirements and/or may need approval from the Controlling Company's regulator under certain circumstances.

As the holders of the Notes may receive Controlling Company Shares if a Trigger Event occurs, an investment in the Notes may result in Noteholders having to comply with certain take over and/or regulatory approval requirements pursuant to applicable laws and regulations following a Conversion.

As Controlling Company Shares represent voting securities of a parent undertaking of a number of regulated group entities (being not only the Issuer, but also InsureCo), under the laws of the South Africa, ownership of the Controlling Company Shares above certain levels may require the holder of the voting securities to obtain regulatory approval(s) or subject the holder to additional regulation and/or commitments.

For example, section 37(1) of the Banks Act provides that no person may acquire shares in a bank or a controlling company of a bank amounting to more than 15 per cent. of the issued shares of the bank or controlling company without having first obtained regulatory approval, which depending on the level of shareholding acquired, may be the approval of the Registrar of Banks or the Minister of Finance.

Non-compliance with such approval requirements and any other regulatory approval requirements may lead to the Controlling Company being unable to issue the Controlling Company Shares to the relevant holder, or the incurrance of substantial fines or other criminal and/or civil penalties and/or suspension of voting rights associated with the Controlling Company Shares. Accordingly, each potential investor

should consult its legal advisers as to the terms of the Notes, in respect of its existing shareholding and the level of holding it would have if it receives Controlling Company Shares following a Trigger Event.

The circumstances surrounding or triggering a Conversion are inherently unpredictable and may be caused by factors outside of the Issuer's control. The Issuer has no contractual obligation to operate its business in such a way, or take any mitigating actions, to avoid the occurrence of the Trigger Event.

A Trigger Event will occur when the Relevant Regulator has notified the Issuer that it has determined that a "trigger event" as specified in the Capital Regulations has occurred. The occurrence of a Trigger Event is therefore inherently unpredictable and depends on a number of factors, many of which are outside of the Issuer's control.

The guidance provided by SARB in Guidance Note 7 of 2013 (*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital instruments*) ("**Guidance Note 7**"), does not solve the uncertainty or give guidance on the regulatory capital levels at which, or circumstances under which, the Registrar is likely to exercise his discretion that a Trigger Event has occurred in respect of Tier 2 Capital instruments.

The Issuer's regulatory capital levels could be affected by, among other things, changes in, or the growth of, the Issuer's business and the level of the Issuer's future earnings or any losses incurred, dividend payments, regulatory changes (including changes to definitions and calculations of regulatory capital, actions that the Issuer is required to take at the direction of the Relevant Regulator, costs associated with regulatory changes, including in respect of any regulatory non-compliance, and the Issuer's ability to manage risk weighted assets in its businesses. It will also depend on the Issuer's decisions relating to its businesses and operations, as well as the management of its capital position.

The Issuer (and the Controlling Company) will have no obligation to consider the interests of the holders of the Notes in connection with its strategic decisions, including in respect of its capital management. Holders of the Notes will not have any claim against the Issuer or the Controlling Company relating to decisions that affect the business and operations of the Issuer, including the Issuer's or the Controlling Company's capital position, regardless of whether they result in the occurrence of a Trigger Event. Such decisions could cause holders of the Notes to lose all or part of the value of their investment in the Notes.

The calculation of the regulatory capital may also be affected by changes in applicable accounting rules, or by changes to regulatory adjustments which modify the regulatory capital impact of accounting rules.

Because of the inherent uncertainty regarding whether the Trigger Event will occur and there being no obligation on the Issuer's part to prevent its occurrence, it will be difficult to predict when, if at all, Conversion could occur. Accordingly, the trading behaviour of the Notes may not necessarily follow the trading behaviour of other types of subordinated debt instruments, including the Issuer's other subordinated debt instruments. Any indication that the Issuer's regulatory capital is moving towards the level which would cause the occurrence of the Trigger Event may have an adverse effect on the market price and liquidity of the Notes. Therefore, Noteholders may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to other types of subordinated debt instruments, including the Issuer's subordinated debt instruments. In addition, the risk of Conversion could drive down the price of the Controlling Company Shares and have a material adverse effect on the market value of any Controlling Company Shares received upon Conversion.

The events of default and the remedies available to Noteholders under the Notes are limited.

The rights of the Noteholders are limited in certain respects. (See the Programme - "*Risk Factors – Risks relating to the Tier 2 Notes - Winding up, liquidation or curatorship and limited rights of acceleration for Tier 2 Noteholders*".)

No lawful actions of whatsoever nature in connection with and/or as a result of the occurrence of a Trigger Event taken by the Issuer and/or the Controlling Company in accordance with the Write-Off/Conversion Parameters or delay in taking such action will amount to a breach of the Issuer's obligations under the Conditions and/or constitute an Event of Default under the Terms and Conditions or entitle any Noteholder to avoid Write-Off or Conversion.

If Controlling Company Shares are not issued and delivered in accordance with the provisions of the Terms and Conditions, the only remedy the relevant holders of the Notes will have against the Issuer

and the Controlling Company will be to apply to the court to obtain an order requiring the Controlling Company to issue and deliver such Controlling Company Shares as contemplated in the Terms and Conditions.

Any conversion or write-off of other Tier 2 Capital instruments or Additional Tier 1 Capital instruments of the Issuer in accordance with the Capital Regulations and any other Applicable Law, regulation or guidance note issued by the Relevant Regulator and/or written instructions received from the Relevant Regulator will likewise not constitute an Event of Default under the Terms and Conditions.

As the Conversion Price is fixed at the time of issue of the Notes, Noteholders will bear the risk of fluctuation in the value of Controlling Company Shares.

Upon the occurrence of the Trigger Event, the Notes will be exchanged for Controlling Company Shares. Because the Trigger Event will occur when the Issuer and the New HoldCo Group's regulatory capital will have deteriorated, the Trigger Event will likely be accompanied by a prior deterioration in the market price of the Controlling Company Shares, which may be expected to continue after the occurrence of the Trigger Event. Therefore, if the Trigger Event were to occur, Noteholders would receive Controlling Company Shares at a time when the market price of the Controlling Company Shares is diminished.

In the event of the Controlling Company Shares being admitted to trading on a Relevant Stock Exchange at the time of the occurrence of a Trigger Event, the diminution in market price of the Controlling Company Shares to the time of such occurrence will be reflected in the Conversion Price. However, if the Controlling Company Shares are not admitted to trading on a Relevant Stock Exchange at the time of such occurrence, the Unlisted CC Share Conversion Price shall apply.

The Unlisted CC Share Conversion Price was fixed at ZAR4.00 per Controlling Company Share, and is subject to limited anti-dilution adjustments, as described under "*Noteholders have limited anti-dilution protection*" below. Although the Unlisted CC Share Conversion Price is 20% of the book value of the Controlling Company Shares as at the Issue Date (based on a book value of ZAR20 per Controlling Company Share) it may not reflect the market value of the Controlling Company Shares at the time of Conversion, which could be significantly lower than the Conversion Price.

In addition, there may be a delay in a Noteholder receiving its Controlling Company Shares following the Trigger Event, during which time the market value of the Controlling Company Shares may further decline. As a result, the realisable value of the Controlling Company Shares may be below the Conversion Price.

Noteholders have limited anti-dilution protection.

The number of Controlling Company Shares to be issued on the Conversion Settlement Date will be determined by dividing the Conversion Amount outstanding immediately prior to Conversion on the Conversion Settlement Date by the Conversion Price prevailing on the Conversion Settlement Date. Fractions of Controlling Company Shares will not be delivered to Noteholders upon a Conversion and no cash payment will be made in lieu thereof.

In summary, the Conversion Price will be adjusted in the event that there is a consolidation, reclassification, redesignation or subdivision of the Controlling Company Shares, an issuance of Controlling Company Shares in certain circumstances by way of capitalisation of profits or reserves, or an issue of Controlling Company Shares or certain other Notes to Shareholders as a class by way of rights, but only in the situations and to the extent provided in Condition A2 above.

There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Controlling Company Shares. Furthermore, the adjustment events that are included are less extensive than those which may be included in the terms of other convertible debt instruments. Accordingly, events in respect of which no adjustment to the Conversion Price is made may adversely affect the value of the Notes.

As a result of Noteholders receiving Controlling Company Shares upon the occurrence of the Trigger Event, they are particularly exposed to changes in the market price of the Controlling Company Shares.

Should the Controlling Company become admitted to trading on a Relevant Stock Exchange, prospective investors in the Notes may look to sell Controlling Company Shares in anticipation of taking a position in, or during the term of, the Notes. This could drive down the price of the Controlling Company Shares. Since the Notes will mandatorily convert into Controlling Company Shares upon the

Trigger Event, the price of the Controlling Company Shares may be more volatile if the Issuer is trending toward the Trigger Event.

Notwithstanding that the Notes are Convertible, in exceptional circumstances, the Notes may be subject to Write-Off.

If a Trigger Event occurs and one or more "exceptional instances" as contemplated in paragraph 3.2 of Guidance Note 7 persists at such time, the Convertible Tier 2 Notes or the portion thereof which would otherwise be Converted may instead and to the extent determined by the Relevant Regulator, be subject to be Written Off in the manner contemplated in Condition 5.6 of the Terms and Conditions. In the event of such Write-Off, all of the Issuer's obligations under the Notes shall be irrevocably discharged and satisfied and under no circumstances shall such released obligations be reinstated. As a result, Noteholders could lose their investment in the Notes, and receive no compensation or Controlling Company Shares therefor.

Following Conversion, the Notes will remain in existence for the sole purpose of evidencing the Noteholder's right to receive Controlling Company Shares and the right of the Controlling Company to receive Issuer Shares and the rights of the Noteholders will be limited accordingly.

Following Conversion, the Notes will remain in existence until the applicable Conversion to Issuer Shares (to be issued to the Controlling Company) for the sole purpose of evidencing the Noteholder's right to receive Controlling Company Shares and the right of the Controlling Company to receive Issuer Shares. All obligations of the Issuer under the Notes shall be irrevocably released in consideration of the relevant issuance and delivery in terms of the Terms and Conditions, and under no circumstances shall such released obligations be reinstated. The Notes shall be cancelled upon the issuance and delivery of the Issuer Shares.

Following the occurrence of the Trigger Event the Notes may have only limited transferability. There may also be a delay in Noteholders being able to transfer any Controlling Company Shares to be delivered to them following Conversion.

Although the Issuer currently expects that beneficial interests in the Notes will be transferrable after the delivery of the Issuer's Trigger Event Notice and up to the Conversion Last Date to Trade, there is no guarantee that an active trading market will exist for the Notes. Accordingly, the price received for the sale of any beneficial interest under a Note during this period may not reflect the market price of such Note or the Controlling Company Shares.

Furthermore, transfers of beneficial interests in the Notes may be restricted following the delivery of the Issuer's Trigger Event Notice, for example if the clearance and settlement of transactions in the Notes is suspended by the relevant Financial Exchange or Clearing System, at any time. In such a situation it may not be possible to transfer beneficial interests in the Notes and trading in the Notes may cease.

Moreover, although the Noteholders will become owners of the Controlling Company Shares upon the issuance of such Controlling Company Shares in terms of the Terms and Conditions and the Controlling Company Shares, no such holder will be able to sell or otherwise transfer any Controlling Company Shares until such time as they are finally delivered to such holder and registered in their name.

Further, upon receipt of Controlling Company Shares, such Noteholder may become minority shareholder in an unlisted company with no operations of its own that will depend on dividends from its subsidiaries, (one of which will be the Issuer) for its profitability. There may therefore not be any formal mechanism for trading in their Controlling Company Shares.

Prior to the Conversion Settlement Date, Noteholders will not be entitled to any rights with respect to the Controlling Company Shares, but will be subject to all changes made with respect to the Controlling Company Shares.

The exercise of voting rights and other rights related to any Controlling Company Shares is only possible after delivery of the Controlling Company Shares following the Conversion and the registration of the person entitled to the Controlling Company Shares in the Controlling Company's share register as a shareholder in accordance with the provisions of, and subject to the limitations provided in, the memorandum of incorporation of the Controlling Company. Prior to such registration, Noteholders will be subject to all changes made with respect to the Controlling Company Shares.

Receipt by the Controlling Company Shares Depositary of the Controlling Company Shares shall irrevocably discharge and satisfy the Controlling Company's obligations in respect of the Notes.

Following the Trigger Event, the relevant Controlling Company Shares will be issued and delivered by Controlling Company to the relevant Securities Account (or to the relevant Participant managing such Securities Account, if such Controlling Company Shares are certificated), and the Participant managing such account will hold the Controlling Company Shares on behalf of the Noteholders. Receipt by the Participant managing such Securities Account of the Controlling Company Shares shall irrevocably discharge and satisfy the Controlling Company's obligations in respect of the Notes and a Noteholder shall, with effect on and from such delivery, only have recourse to the Participant managing such Securities Account for the delivery to it of the relevant Controlling Company Shares. Neither the Controlling Company nor the Issuer shall have any liability for the performance of the obligations of the Participant managing such Securities Account.

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