

APPLICABLE PRICING SUPPLEMENT
TIER 2 REGULATORY CAPITAL NOTES



FIRSTRAND BANK

FIRSTRAND BANK LIMITED

*(Incorporated in the Republic of South Africa with limited liability under registration
number 1929/001225/06)*
(the “**Issuer**”)

Issue of ZAR2,000,000,000.00 FRB15 Tier 2 Notes
(subject to write off upon the occurrence of a Trigger Event)
Under its ZAR80,000,000,000.00 Domestic Medium Term Note Programme

This Applicable Pricing Supplement must be read in conjunction with the Programme Memorandum, dated 20 February 2015 and approved by the JSE on 25 February 2015, prepared by FirstRand Bank Limited in connection with the FirstRand Bank Limited ZAR80,000,000,000.00 Domestic Medium Term Note Programme, as amended and/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 titled “*Terms and Conditions of the Notes*” or **Annexure E** (*Additional Definitions in respect of these Tranches of Notes of the Series*) hereto, where the provisions set out in **Annexure E** will prevail to the extent that there is any conflict or inconsistency between the definitions set out therein and those in the Programme Memorandum.

This document constitutes the Applicable Pricing Supplement relating to the issue of Notes described herein. The Notes described herein are issued on and subject to the Terms and Conditions as amended and/or supplemented by the Terms and Conditions contained in this Applicable Pricing Supplement. 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 proceeds obtained through the issue of Tier 2 Notes 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 *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 Tier 2 Noteholders shall be subordinated to the claims of Senior Creditors. In any such event, no amount shall be payable to any Tier 2 Noteholders entitled to be paid amounts due under the Tier 2 Notes issued or to be issued under and pursuant to this Applicable Pricing Supplement until the claims of Senior Creditors which are admissible in any such winding-up, liquidation or curatorship have been paid or discharged in full.

The Registrar of Banks 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 the proceeds thereof to rank as "tier 2 capital" as defined in the Banks Act.

DESCRIPTION OF THE NOTES

1.	Issuer	FirstRand Bank Limited
2.	Specified Office	2 nd Floor, 4 Merchant Place, Corner of Fredman Drive and Rivonia Road, Sandton, 2196, South Africa
3.	Status of Notes	<p>Subordinated, unsecured Tier 2 Notes, the proceeds of which are intended to qualify as Tier 2 Capital.</p> <p>In accordance with the Capital Regulations, Tier 2 Notes issued under and pursuant to this Applicable Pricing Supplement will be subject to write off if a Trigger Event occurs in relation to the Issuer.</p> <p>See Annexure C attached to this Applicable Pricing Supplement.</p>
4.	Form of Notes	<p>Listed Registered Notes</p> <p>The Notes in this Tranche are issued in uncertificated form and held by the CSD.</p>
5.	Series Number	1
6.	Tranche Number	1

7.	Aggregate Nominal Amount:	
	(a) Series	ZAR2,000,000,000.00
	(b) Tranche	ZAR2,000,000,000.00
8.	Interest	Interest-bearing.
9.	Interest Payment Basis	Floating Rate Notes
10.	Automatic/Optional Conversion from one Interest/Redemption/Payment Basis to another	N/A.
11.	Issue Date	06 March 2015
12.	Nominal Amount per Note	ZAR1,000,000.00
13.	Specified Denomination	ZAR1,000,000.00
14.	Issue Price	100%
15.	Interest Commencement Date	06 March 2015
16.	Maturity Date	06 March 2025
17.	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.
18.	Business Centre	Johannesburg
19.	Additional Business Centre	N/A.
20.	Applicable Business Day Convention	Following Business Day
21.	Final Redemption Amount	100% of the Nominal Amount, subject to the applicable Capital Regulations.
22.	Last Date to Register	28 February, 31 May, 31 August and 30 November, 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 (ten) days prior to the date on which the Notes are redeemed.
23.	Books Closed Period(s)	The Register will be closed from 01 March to 05 March, 01 June to 05 June, 01 September to 05 September and from 01 December to 05 December (all dates inclusive) in each year until the date on which the Notes have been redeemed.
24.	Default Rate	N/A.
25.	Specified Currency	South African Rand (ZAR)
	FIXED RATE NOTES	N/A.
	FLOATING RATE NOTES	<i>Subject to the applicable Capital Regulations.</i>
26.	Interest rate(s)	3 month JIBAR, plus Margin
27.	(a) Floating Interest Payment Date(s)	06 March, 06 June, 06 September and 06 December of each year with the first Interest Payment Date being 06 June 2015.
	(b) Interest Period(s)	From and including the applicable Interest Payment Date and ending on but excluding the following Interest Payment Date, the first Interest Period commencing on 06 March 2015 and ending on the day before the next Interest Payment Date.
	(c) Definition of Business Day (if different from that set out in Condition 1(<i>Interpretation</i>))	Following Business Day
	(d) Minimum Rate of Interest	3 month JIBAR, plus Margin
	(e) Maximum Rate of Interest	3 month JIBAR, plus Margin
	(f) Other terms relating to the method of calculating interest (e.g.: Day Count Fraction, rounding up provision)	Day Count Fraction is Actual/365
28.	Manner in which the Rate of Interest is to be determined	Screen Rate Determination
29.	Margin	350 basis points to be added to the Reference Rate
30.	If ISDA Determination:	
	(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
31.	If Screen Determination:	
	(a) Reference Rate (including relevant period by reference to which the Rate of Interest is to be calculated)	ZAR-JIBAR-SAFEX with a designated maturity of 3 (three) months.
	(b) Interest Rate Determination Date(s)	27 February 2015
	(c) Relevant Screen Page and Reference Code	SAFEY Page, Code ZA01209
32.	If Rate of Interest to be calculated otherwise than by ISDA Determination or Screen Determination, insert basis for determining Rate of Interest/Margin/ Fall-back provisions	N/A
33.	Calculation Agent responsible for calculating amount of principal and interest	FirstRand Bank Limited
	ZERO COUPON NOTES	N/A.
	PARTLY-PAID NOTES	N/A.
	INSTALMENT NOTES	N/A.
	MIXED RATE NOTES	N/A.
	INDEX-LINKED NOTES	N/A.
	DUAL CURRENCY NOTES	N/A.
	EXCHANGEABLE NOTES	N/A.
	EXTENDIBLE NOTES	N/A.
	OTHER NOTES	N/A.

PROVISIONS REGARDING REDEMPTION / MATURITY

- | | | |
|-----|---|---|
| 34. | Prior consent of Registrar of Banks required for any redemption of the Notes. | Yes, save for redemption for regulatory reasons as contemplated in Condition 10.13.2 (<i>Redemption for regulatory reasons</i>) (as inserted by paragraph 11 of Annexure C to this Applicable Pricing Supplement). |
| 35. | Issuer's Optional Redemption:

If yes: | Yes, subject to the applicable Capital Regulations. |
| | (a) Optional Redemption Date(s) | 06 March 2020, subject to the applicable Capital Regulations. |
| | (b) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s) | 100% of the Nominal Amount. |
| | (c) Minimum period of notice (if different from Condition 10.3 (<i>Redemption at the Option of the Issuer</i>)) | N/A. |
| | (d) If redeemable in part: | N/A. |
| | Minimum Redemption Amount(s) | N/A. |
| | Higher Redemption Amount(s) | N/A. |
| | (e) Other terms applicable on Redemption | See Conditions 10.2 (<i>Redemption for Tax Reasons</i>), 10.13.2 (<i>Redemption for regulatory reasons</i>), and 10.13.3 (<i>Redemption of Tier 2 Notes</i>) (as inserted by paragraph 11 of Annexure C to this Applicable Pricing Supplement), and see 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 Event of Default (if required) | Yes, at the option of the Issuer only and subject to Condition 10.2 (<i>Redemption for Tax Reasons</i>) (inserted by paragraph 8 of Annexure C to this Applicable Pricing Supplement), Condition 10.13.3 (<i>Redemption of Tier 2 Notes</i>) (inserted by paragraph 11 of Annexure C to this Applicable Pricing Supplement) and the applicable Capital Regulations. |

Determined in accordance with Condition 10.5
(*Early Redemption Amounts*).

If an amount other than the Early Redemption Amount is payable on redemption for taxation reasons or on Event of Default [only complete if “no” elected in item 37 above]:

- | | | |
|-----|---|-----|
| (a) | Amount payable; or | N/A |
| (b) | Method of calculation of amount payable | N/A |

38. Early Redemption Amount(s) payable on redemption for regulatory reasons
- Yes. See additional Conditions 10.13.2 (*Redemption for regulatory reasons*) and 10.13.3 (*Redemption of Tier 2 Notes*) (inserted by paragraph 11 of **Annexure C** to this Applicable Pricing Supplement).]

If an amount other than the Early Redemption Amount is payable on redemption for regulatory reasons [only complete if “no” elected in item 38 above]:

- | | | |
|-----|---|-----|
| (a) | Amount payable; or | N/A |
| (b) | Method of calculation of amount payable | N/A |

ADDITIONAL CONDITIONS AND PROVISIONS APPLICABLE TO CAPITAL NOTES

See **Annexures A to E** attached to this Applicable Pricing Supplement and the applicable Capital Regulations.

GENERAL

39. Notes in issue
- As at the date of this issue, the Issuer has issued Notes in the aggregate total amount of ZAR0 under the Programme.

The aggregate Nominal Amount of all Notes issued under the Programme as at the Issue Date, together with the aggregate Nominal Amount of this Tranche (when issued), will not exceed the Programme Amount.

The issuance of the Notes contemplated in this Applicable Pricing Supplement will not result in the authorised amount contained in the Programme Memorandum being exceeded.

40.	Financial Exchange	Interest Rate Market of the JSE Limited
41.	Calculation Agent	FirstRand Bank Limited (acting through its Rand Merchant Bank division)
42.	Specified office of the Calculation Agent	2 nd Floor, 4 Merchant Place, Corner of Fredman Drive and Rivonia Road, Sandton, 2196, South Africa
43.	Paying Agent	FirstRand Bank Limited (acting through its Rand Merchant Bank division)
44.	Specified office of the Paying Agent	2 nd Floor, 4 Merchant Place, Corner of Fredman Drive and Rivonia Road, Sandton, 2196, South Africa
45.	Transfer Agent	FirstRand Bank Limited (acting through its Rand Merchant Bank division)
46.	Specified office of the Transfer Agent	2 nd Floor, 4 Merchant Place, Corner of Fredman Drive and Rivonia Road, Sandton, 2196, South Africa
47.	Additional selling restrictions	N/A.
48.	ISIN No.	ZAG000124199
49.	Stock Code	FRB15
50.	Method of distribution	Bookbuild
51.	If syndicated, names of Managers	N/A.
52.	If non-syndicated, name of Dealer	FirstRand Bank Limited (acting through its Rand Merchant Bank division)
53.	Debt Sponsor	FirstRand Bank Limited (acting through its Rand Merchant Bank division)
54.	Governing law (if the laws of South Africa are not applicable)	N/A.
55.	Use of proceeds	Proceeds of the Tier 2 Notes are 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.

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|-----|-------------------------------|---|
| 56. | Pricing Methodology | Standard JSE pricing methodology |
| 57. | Stabilising Manager (if any) | N/A. |
| 58. | Other provisions | In accordance with the Capital Regulations, Tier 2 Notes issued under and pursuant to this Applicable Pricing Supplement will be subject to write off if a Trigger Event occurs in relation to the Issuer.

See Annexures A to E (and particularly Condition 6.5 (<i>Write off of Tier 2 Notes upon a Trigger Event</i>) as inserted in paragraph 4 of Annexure C) attached to this Applicable Pricing Supplement. |
| 59. | Rating and issue date thereof | AA-(zaf)/A3.za/zaA |
| 60. | Rating Agency | Fitch/Moody's/Standard&Poor |

ADDITIONAL/AMENDED SUMMARY OF THE PROGRAMME RELATING TO THESE TRANCHES OF NOTES OF THE SERIES – See Annexure A

ADDITIONAL/AMENDED RISK FACTORS RELATING TO THESE TRANCHES OF NOTES OF THE SERIES – See Annexure B

ADDITIONAL/AMENDED TERMS AND CONDITIONS RELATING TO THESE TRANCHES OF NOTES OF THE SERIES – See Annexure C

OVERVIEW OF THE REGULATORY CAPITAL REQUIREMENTS RELATING TO THESE TRANCHES OF NOTES OF THE SERIES – See Annexure D

ADDITIONAL DEFINITIONS IN RESPECT OF THESE TRANCHES OF NOTES OF THE SERIES – See Annexure E

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 statement false or misleading and that all reasonable enquiries to ascertain such facts have been made as well as 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 this Applicable Pricing Supplement and the annual financial report, the amendments to the annual financial report or any supplements from time to time, except as otherwise stated therein.

Application is hereby made to list this issue of Notes on 06 March 2015.

SIGNED at Sandton on this 02 day of February 2015

for and on behalf of

FIRSTRAND BANK LIMITED

A handwritten signature in black ink, appearing to be 'Lana', written above a horizontal line.

Name:

Capacity:

Who warrants his/her authority hereto

A handwritten signature in black ink, appearing to be 'A. J.', written above a horizontal line.

Name:

Capacity:

Who warrants his/her authority hereto

LEGAL ADVISERS TO THE ARRANGER AND ISSUER

ENSafrica

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The logo for ENS Africa features the letters 'en' in a stylized, lowercase, cursive font. A horizontal line extends to the left of the 'n'. To the right of the 'en' is a large, stylized 'S' that curves upwards and then downwards. To the right of the 'S' is the word 'AFRICA' in a bold, uppercase, sans-serif font.

ADDITIONAL/AMENDED SUMMARY OF THE PROGRAMME SECTION 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 items titled “Maturities of Notes”, “Redemption” and “Status and Characteristics of Subordinated Notes” in the section titled “*Summary of the Programme*” on pages 12 to 21 of the Programme Memorandum, with the following paragraphs:

“Maturities of Notes”

Such maturity(ies) that is/are acceptable to the JSE and as specified in the Applicable Pricing Supplement, subject, in relation to Capital Notes, to such minimum maturities as may be required from time to time by the applicable Capital Regulations.

“Redemption”

The Applicable Pricing Supplement relating to a Tranche of Notes will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than in specified instalments (see below), if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders (as the case may be) and, upon giving not less than 30 (thirty) nor more than 60 (sixty) calendar days irrevocable notice (or such other notice period (if any) as is indicated in the Applicable Pricing Supplement) to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such terms as are indicated in the Applicable Pricing Supplement.

The Applicable Pricing Supplement may provide that Notes may be redeemable in 2 (two) or more instalments of such amounts and on such dates as indicated in the Applicable Pricing Supplement.

Subject to the applicable Capital Regulations, Capital Notes may have a minimum Maturity Period (determined in accordance with the Capital Regulations relating to such Capital Notes) as set out in the Applicable Pricing Supplement. The Maturity Date(s) of any such Capital Notes will accordingly need to fall after the end of any such Maturity Period(s). For so long as the applicable Capital Regulations so require, any redemption, purchase or cancellation of Capital Notes prior to the applicable Maturity Date(s), will require the prior written approval of, and must be in accordance with the Additional Conditions (if any)

approved by, the Registrar of Banks. This is true even where an Event of Default has occurred.

“Status and Characteristics relating to Subordinated Notes”

Unless otherwise specified in the Applicable Pricing Supplement, the Subordinated Notes constitute direct, unsecured and subordinated obligations of the Issuer and will, subject to the applicable Capital Regulations in the case of Subordinated Notes which are also Capital Notes, rank *pari passu* among themselves and will rank at least *pari passu* with all other present and future unsecured and subordinated obligations of the Issuer.

Subject to Applicable Law and the Capital Regulations (in the case of Subordinated Notes which are also Capital Notes), in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, curatorship or wound up, then and in any such event the claims of the persons entitled to be paid amounts due in respect of the Subordinated Notes shall be subordinated to all other claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness of the Issuer, to the extent that, in any such event, and provided as aforesaid, no amount shall be eligible for setting-off or shall be payable to any or all of the persons entitled to be paid amounts due in respect of the Subordinated Notes in respect of the obligations of the Issuer thereunder until all other indebtedness of the Issuer which is admissible in any such dissolution, liquidation, curatorship or winding-up (other than Subordinated Indebtedness) has been paid or discharged in full.

In order for the proceeds of the issue of a Tranche of Subordinated Notes to qualify as Regulatory Capital, Subordinated Notes must comply with the applicable Capital Regulations and such Additional Conditions (if any) as are prescribed by the Registrar of Banks in respect of that Tranche of Subordinated Notes. The Issuer will specify in the Applicable Pricing Supplement whether any issue of Subordinated Notes is an issue of Notes the proceeds of which are intended to qualify as Regulatory Capital. The Additional Conditions (if any) prescribed by the Registrar of Banks in respect of Capital Notes, will be specified in the Applicable Pricing Supplement or a supplement to the Programme Memorandum.

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:

1. insertion of the following additional wording immediately after the last sentence of the first paragraph under subparagraph 2.2 titled "*The Notes may be redeemed prior to maturity*" under paragraph 2 titled "*Risks relating to the Notes*" on pages 32 to 33 of the Programme Memorandum:

"In respect of any Tier 2 Notes, the Issuer may, subject to the applicable Capital Regulations, also redeem all outstanding Notes in the event of a Regulatory Event (as defined in this Applicable Pricing Supplement)."

2. insertion of the following additional wording immediately after the last sentence of the second paragraph under subparagraph 2.2 titled "*The Notes may be redeemed prior to maturity*" under paragraph 2 titled "*Risks relating to the Notes*" on page 33 of the Programme Memorandum:

"Any redemption of Tier 2 Notes prior to their Maturity Date (other than redemption for regulatory reasons as contemplated in Condition 10.13.2 (*Redemption for regulatory reasons*)) (as inserted by paragraph 11 of **Annexure C** to this Applicable Pricing Supplement), requires the prior written approval of the Registrar of Banks."

3. replacement of subparagraph 2.8 titled "*Change of law*" under paragraph 2 titled "*Risks relating to the Notes*" on page 35 of the Programme Memorandum, with the following subparagraph 2.8 titled "*Change of law*":

"2.8 Change of law

The Notes, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with South Africa law. No assurance can be given as to the impact of any possible judicial decision or change to South African law or the law of any other jurisdiction or administrative practice after the Programme Date. Such changes in South African law may include, but are not limited to, the introduction of a variety of statutory resolution and loss-absorption tools which may affect the rights of holders of securities issued by the Issuer, including the Tier 2 Notes. Such tools may include the ability to write off sums otherwise payable on such securities at a time when the Issuer is no longer considered viable by its regulator or upon the occurrence of another trigger event (see "*Risks relating to the Tier 2 Notes – Loss Absorption at the Point of Non-viability of the Issuer*" below for further details). The Tier 2 Notes issued or to be issued under this Series currently provide in the contractual terms and conditions thereof for the writing off of such Tier 2 Notes (or a Relevant Part thereof) upon the occurrence of a

Trigger Event. The terms and conditions of the Tier 2 Notes issued or to be issued under this Series provide that upon the commencement of the SLAR, the contractual Write Off/Conversion Provisions will cease to apply to such Tier 2 Notes to the extent necessary, and that the Write Off/Conversion Provisions in the legislation and/or regulations which implement(s) the SLAR, will apply instead.

4. insertion of the following additional risk factors immediately after subparagraph 4.6 titled “*Financial markets*” on page 41 of the Programme Memorandum under new paragraph 5 titled “*Risks relating to Tier 2 Notes*”:

5. RISKS RELATING TO TIER 2 NOTES

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

The payment obligations of the Issuer under Tier 2 Notes will rank behind Senior Creditors. See Condition 6.4 (*Status of Tier 2 Notes*) (as inserted by paragraph 4 of **Annexure C** 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 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.

5.2 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 Tier 2 Noteholders on a winding-up, liquidation or curatorship of the Issuer.

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

If the Issuer is wound-up or put into liquidation or curatorship, voluntarily or involuntarily, Tier 2 Noteholders will not be entitled to any payments of the Tier 2 Notes until the claims of 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, Tier 2 Noteholders 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 Tier 2 Noteholders 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 5 (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 (ten) days or more, such Tier 2 Noteholder 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 (otherwise than for the purpose of an amalgamation, merger, consolidation or re-organisation not involving liquidation, winding-up or bankruptcy) shall the Tier 2 Noteholder be able to declare (upon written notice) such Tier 2 Note immediately due and payable.

5.4 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.

5.5 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 Basel Committee 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 Basel Committee 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 (described below) 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**" or "**SLAR**");
- (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.

Regulation 38(14) of the Regulations Relating to Banks refers to the need for the Basel III Non-Viability Requirements to be reflected in the terms and conditions of a tier 2 instrument (defined below) unless a duly enforceable SLAR is in place.

The SARB has provided some clarity on the loss absorbency requirements contemplated in the Regulations Relating to Banks in Guidance Note 2 of 2012 (*Matters related to the implementation of Basel III*), Guidance Note 7 of 2013 (*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital instruments*) ("**Guidance Note 7**"), Circular 6 of 2013 (*Matters related to conditions for the issue of instruments or shares, the proceeds of which rank as Tier 2 capital*) and Circular 6 of 2014 (*Interpretation of specified conditions for the issuing of instruments or shares which rank as additional tier 1 capital and tier 2 capital*), and has indicated that it, together with National Treasury, is in the process of drafting legislation that will provide for a detailed SLAR. No official statement has however been made as to when the SLAR will be implemented in South Africa. The SARB has also provided detail in relation to its approach to bank recovery and outlined the phased-in approach to be followed in relation to the development of bank resolution plans in Guidance Note 4 of 2012 (*Further guidance on the development of recovery and resolution plans by South African banks*). These Guidance Notes are broadly drafted and require further refinement, and market participants continue to discuss the Regulations Relating to Banks and the Guidance Notes with the SARB. Paragraph 1.3 of Guidance Note 7 provides that the SARB will continue to monitor international developments around loss absorbency requirements, and if necessary, will issue further guidance.

Guidance Note 7 requires banks to indicate, in the contractual terms and conditions of any tier 2 capital instruments ("**tier 2 instruments**") issued, whether such instruments would be either written-off or converted into the most subordinated form of equity of the bank and/or its controlling company (such conversion, "**Conversion**") at the occurrence of a trigger event determined at the Registrar of Bank's discretion, as envisaged in Regulation 38(14)(a)(i) of the Regulations Relating to Banks. To the extent that any tier 2 instruments are issued prior to the commencement of the SLAR, such tier 2 instruments will have to contractually provide for write-off or Conversion (at the discretion of the Registrar of Banks at the occurrence of a Trigger Event, as write-off and Conversion are understood and applied in terms of the regulatory framework applicable at the time of the issuance of such tier 2 instruments) in order to qualify as Tier 2 Capital. The terms and conditions of the Tranches of Tier 2 Notes issued in this Series accordingly provide for the write off of Tier 2 Notes (or a Relevant Part thereof) at the discretion of the Registrar of Banks upon the occurrence of a Trigger Event (see Condition 6.5 (*Write off of Tier 2 Notes upon a Trigger Event*) (as inserted by paragraph 4 of **Annexure C** to this Applicable Pricing Supplement)).

Notwithstanding the requirement to provide for write off and/or Conversion in the contractual terms and conditions of a tier 2 instrument, paragraph 6.3 of Guidance Note 7 provides that banks have the option to elect, upon the commencement of the SLAR, to have the existing contractual Write Off/Conversion Provisions of any tier 2 instruments issued prior to the implementation of the SLAR replaced with the Write/Off Provisions in the legislation and/or regulations which implement(s) the SLAR. As the proceeds of Tier 2 Notes issued in this Series are intended to qualify as Tier 2 Capital, the Issuer has elected to have the contractual Write Off/Conversion Provisions replaced with the Write Off/Conversion Provisions in the legislation and/or regulations which implement(s) the SLAR with effect from the commencement of the SLAR (see Condition 6.6 (*Statutory Loss Absorption of Tier 2 Notes and the SLAR*) (as inserted by paragraph 4 in **Annexure C** to this Applicable Pricing Supplement)).

In essence, any Tier 2 Notes issued in this Series prior to the commencement date of the SLAR will be subject to the contractual Write Off/Conversion Provisions. Upon the commencement of the SLAR, the contractual Write Off/Conversion Provisions will cease to apply, and will be replaced by the Write Off/Conversion Provisions in the legislation and/or regulations which implement(s) the SLAR. All Tier 2 Notes issued in this Series after the commencement date of the SLAR will be subject to the Write Off/Conversion Provisions in the legislation and/or regulations which implement(s) the SLAR only.

Whether in terms of the contractual Write Off/Conversion Provisions or the Write Off/Conversion Provisions in the legislation and/or regulations which implement(s) the SLAR, the possibility of write off means that Tier 2 Noteholders may lose some or all of their investment. The exercise of any such power by the Registrar of Banks or any suggestion of such exercise could materially adversely affect the price or value of a Tier 2 Noteholder's investment in Tier 2 Notes and/or the ability of the Issuer to satisfy its obligations under such Tier 2 Notes.

Despite the above, whether regulated by the contractual Write Off/Conversion Provisions or the Write Off/Conversion Provisions in the legislation and/or regulations which implement(s) the SLAR, clause 2.6 of Guidance Note 7 provides that write-off or Conversion of tier 2 instruments will only occur to the extent deemed by the Registrar of Banks as necessary to ensure that the Bank is viable, as specified in writing by the Registrar of Banks. Accordingly, any write-off or Conversion of the Tier 2 Notes will generally be effected to ensure compliance with these minimum requirements only. Any write-offs or Conversions will also be subject to any restrictions on holding shares in a bank and/or a controlling company of a bank under South African law.

5.6 For so long as the Capital Regulations so provide, early redemption of Tier 2 Notes will require with the prior written approval of the Registrar of Banks, and must be in accordance with the Additional Conditions (if any)

Subject to the applicable Capital Regulations, Tier 2 Notes may have a minimum Maturity Period determined in accordance with the Capital Regulations as set out in the Applicable Pricing Supplement. The Maturity Date(s) of any such Tier 2 Notes will accordingly need to fall after the end of any such Maturity Period(s). For so long as the applicable Capital Regulations so provide, any redemption of Tier 2 Notes prior to the applicable Maturity Date(s) (including but not limited early redemption for tax reasons) will require the prior written approval of, and must be in accordance with the Additional Conditions (if any) approved by, the Registrar of Banks. This is true even where an Event of Default has occurred.

5.7 The investment in, and disposal or write off of, Tier 2 Notes may have tax consequences in the hands of Tier 2 Noteholders, the Issuer or both

The investment in, and disposal or write off upon the occurrence a Trigger Event of, Tier 2 Notes, may have considerable tax consequences in the hands of Tier 2 Noteholders, the Issuer or both. As any such potential consequences depend on various factors, prospective investors in Tier 2 Notes are strongly advised to consult their own professional advisers as to the tax consequence of investing in Tier 2 Notes, and particularly as to whether a disposal or write off of Tier 2 Notes will result in an income tax liability. See the section titled "*South African Taxation*".

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 C 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.

The Terms and Conditions set out in the Programme Memorandum are amended in relation to these Tranches of Notes by:

1. the insertion of the words “, *but subject to the prior consent of the Registrar of Banks (if and to the extent required)*” after the words “... *time (without the consent of any Noteholder ...)*” in the first line of Condition 2.1 under Condition 2 titled “*Issue*” on page 80 of the Programme Memorandum;
2. the replacement of Condition 6.1 under Condition 6 titled “*Status and Characteristics of Subordinated Notes*” on page 84 of the Programme Memorandum with the following new Condition 6.1:

“6.1 Subordinated Notes constitute direct, unsecured and subordinated obligations of the Issuer, and subject to Conditions 8.1.5 and 8.2.8 below, as applicable, and subject further to the Capital Regulations applicable to the relevant Capital Notes, at least *pari passu* with all other Subordinated Indebtedness. The payment obligations of the Issuer in respect of Capital Notes shall rank in accordance with the provisions of the Regulations Relating to Banks as set out in the Applicable Pricing Supplement relating to such Notes.”;
3. insertion of the words “*and, in respect of Capital Notes, the Capital Regulations*” after the words “*Subject to Applicable Law ...*” in the first line of Condition 6.2 under Condition 6 titled “*Status and Characteristics of Subordinated Notes*” on page 84 of the Programme Memorandum;
4. the insertion of new Conditions 6.3 (*Capital Regulations and Additional Conditions*), 6.4 (*Status of Tier 2 Notes*), 6.5 (*Write off of Tier 2 Notes upon a Trigger Event*) and 6.6 (*Statutory Loss Absorption of Tier 2 Notes and the SLAR*) under Condition 6 titled “*Status and Characteristics of Subordinated Notes*” on page 84 of the Programme Memorandum:

“6.3 Capital Regulations and Additional Conditions

In order for the proceeds of the issuance of Subordinated Notes to qualify a Regulatory Capital, Subordinated Notes must comply with the applicable Capital Regulations and Additional Conditions (if any) prescribed by the Registrar of Banks in respect of a particular Tranche of Subordinated Notes. The Issuer will specify in the Applicable Pricing Supplement whether any issue of Subordinated Notes is an issue of Capital Notes. The Additional Conditions (if any) prescribed by the Registrar of Banks in respect of Capital

Notes will be specified in the Applicable Pricing Supplement or a supplement to the Programme Memorandum.

6.4 Status of Tier 2 Notes

6.4.1 This Condition 6.4 only applies to Tier 2 Notes.

6.4.2 The Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 6.4.3 below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and (save for those that have been accorded preferential rights by law) 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 and other Tier 2 Capital, whether issued before the Issue Date or thereafter.

6.4.3 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 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:

6.4.3.1 no Tier 2 Noteholder shall be entitled to prove or tender to prove a claim in respect of the Tier 2 Notes;

6.4.3.2 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;

6.4.3.3 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, (1) be deemed to have waived all such rights of set-off and, (2) to the extent that any set-off takes place, whether by operation of law or otherwise, between (i) 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 (ii) 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), to the liquidator, curator or other relevant insolvency official of the Issuer, to be held in trust for the Senior Creditors,

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

6.5 Write off of Tier 2 Notes upon a Trigger Event

6.5.1 If a Trigger Event occurs in relation to the Bank:

6.5.1.1 following receipt by it of a Registrar's Trigger Event Notice, the Bank will immediately notify:

6.5.1.1.1 the Tier 2 Noteholders by way of an announcement *via* SENS; and

6.5.1.1.2 if the Tier 2 Notes are uncertificated and held in the CSD, the CSD in writing; and

6.5.1.1.3 if the Tier 2 Notes are listed on a Financial Exchange, such Financial Exchange in writing,

of the occurrence of the Trigger Event specified in such Registrar's Trigger Event Notice; and

6.5.1.2 forthwith, subject to Condition 6.5.3 below but always in accordance with Applicable Law, the Capital Regulations and the instructions received from the Registrar of Banks, and to the extent notified by the Registrar of Banks, write off the Tier 2 Notes or Relevant Part(s) thereof identified by the Registrar of Banks. Any write off of Tier 2 Notes or Relevant Part(s) thereof in accordance with this Condition 6.5 (*Write off of Tier 2 Notes upon a Trigger Event*) will be final, permanent and irreversible.

6.5.2 Any Tier 2 Notes written off in accordance with Condition 6.5.1.2 above will promptly be cancelled in the Register, and each Tier 2 Noteholder hereby agrees to such cancellation and acknowledges that, where the Tier 2 Note is certificated and evidenced in an

Individual Certificate, such cancellation will occur without such Tier 2 Noteholder having to deliver the relevant Individual Certificate to the Issuer.

6.5.3 Subject always to the applicable Capital Regulations and the instructions received from the Registrar of Banks upon the occurrence of a Trigger Event, where only a Relevant Part of (a) Tier 2 Note(s) is/are written off in accordance with this Condition 6.5 (*Write off of Tier 2 Notes upon a Trigger Event*), the Issuer shall use reasonable endeavours to conduct such write off such that:

6.5.3.1 Tier 2 Noteholders of any Series of Tier 2 Notes will be treated rateably and equally;

6.5.3.2 Tier 2 Notes will only be written off after Capital Notes, the proceeds of which are intended to qualify as common equity tier 1 capital or additional tier 1 capital (as such terms are defined in the Banks Act), have been completely written off in accordance with the instructions of the Registrar of Banks; and

6.5.3.3 the write off of Tier 2 Notes is conducted on a pro rata and proportionate basis with all other Tier 2 Capital of the Issuer to the extent that such other Tier 2 Capital (including but not limited to other Notes which qualify as Tier 2 Capital) are capable of being written off or converted under applicable laws and/or the applicable contractual provisions of such Tier 2 Capital,

provided that if any lawful actions taken by the Issuer with a view to complying with the Write Off Parameters (as such term is defined in Condition 6.5.6 below) prevent the Issuer from writing off in accordance with this Condition 6.5.3, the Issuer will not, notwithstanding anything to the contrary in the Conditions, be deemed to have breached the Tier 2 Notes, and such failure will not under any circumstances give rise to or constitute an Event of Default under the Conditions.

6.5.4 Provided the manner in which the Tier 2 Notes or Relevant Part(s) thereof are written off is in accordance with Applicable Law, the Capital Regulations and the instructions received from the Registrar of Banks, such write off will be deemed to be full, final, unconditional and irrevocable settlement of any and all claims a Tier 2 Noteholder may have against the Issuer under and pursuant to his/her Tier 2 Notes, or the Relevant Part thereof, and no Tier 2 Noteholder whose Tier 2 Notes are written off will have any further

recourse against the Issuer or any other party in respect of such Tier 2 Notes, or the Relevant Part thereof.

6.5.5 Where only a Relevant Part of a Tier 2 Note is written off (and such Tier 2 Note is therefore only partially written off), a Tier 2 Noteholder's rights, title and interest in, and the Issuer's obligations in respect of, that portion of such Tier 2 Noteholder's Tier 2 Notes not written off, will remain unaffected by the writing off of such Relevant Part.

6.5.6 For the avoidance of doubt and notwithstanding anything to the contrary in the Conditions, no lawful actions of whatsoever nature taken by the Issuer in accordance with, and/or to give effect to, the Capital Regulations and any other Applicable Law, regulation or guidance note issued by the Registrar of Banks and/or instructions received from the Registrar of Banks (the "**Write Off Parameters**"), will amount to a breach under the Tier 2 Notes and/or constitute an Event of Default under the Conditions.

6.6 Statutory Loss Absorption of Tier 2 Notes and the SLAR

To the extent that any legislation and/or regulations 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 Basel Committee, such Series of Tier 2 Notes, and any further Series of Tier 2 Notes issued under and pursuant to the Programme, will be subject to such legislation and/or regulations, and these Conditions shall be construed accordingly.";

5. the insertion of new Condition 8.1.5 (*Deferral of Principal and Interest in respect of Capital Notes*), under Condition 8.1 titled "*Fixed Rate Notes*" under Condition 8 titled "*Interest*" on page 85 of the Programme Memorandum:

"8.1.5 Deferral of Principal and Interest in respect of Capital Notes

In accordance with the Capital Regulations applicable to Capital Notes, the Issuer may have the right to defer the due date for payment of capital and/or interest in relation to Capital Notes, and the Issuer may have the right to elect not to pay interest in relation to Capital Notes, as further set out in the Applicable Pricing Supplement.";

6. the insertion of new Condition 8.1.5 (*Deferral of Principal and Interest in respect of Capital Notes*), under Condition 8.1 titled "*Fixed Rate Notes*" under Condition 8 titled "*Interest*" on page 85 of the Programme Memorandum:

"8.2.8 Deferral of Principal and Interest in respect of Capital Notes

In accordance with the Capital Regulations applicable to Capital Notes, the Issuer may have the right to defer the due date for payment of capital and/or interest in relation to Capital Notes, and the Issuer may have the right to elect not to pay interest in relation to Capital Notes, as further set out in the Applicable Pricing Supplement.”;

7. the deletion of the word “*Unless*”, and insertion of the words “*Subject to Condition 10.13 (Redemption of Subordinated Notes) below and, in relation to Capital Notes, the Capital Regulations, unless*” at the beginning of the first sentence of Condition 10.1 titled “*Redemption at Maturity*” under Condition 10 titled “*Redemption and Purchase*” on page 96 of the Programme Memorandum;
8. the replacement of Condition 10.2 titled “*Redemption for Tax Reasons*” under Condition 10 titled “*Redemption and Purchase*” on pages 96 to 97 of the Programme Memorandum, with the following new Condition 10.2 titled “*Redemption for Tax Reasons*”:

“10.2 Redemption for Tax Reasons

10.2.1 Subject to Condition 10.13 (*Redemption of Subordinated Notes*) and any instructions received from the Registrar of Banks, Notes may be redeemed at the option of the Issuer at any time (in the case of Notes other than Floating Rate Notes having an Interest Rate then determined on a floating basis, provided that in the case of Capital Notes, the minimum maturity period specified in the Capital Regulations (if any) shall have expired) or on any Interest Payment Date (in the case of Floating Rate Notes, provided that in the case of Capital Notes, the minimum maturity period specified in the Capital Regulations (if any) shall have expired), on giving not less than 30 (thirty) nor more than 60 (sixty) calendar days’ notice prior to such redemption, to the Noteholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable) and in the case of Capital Notes, to the Registrar of Banks, if required under the Capital Regulations, if the Issuer, immediately prior to the giving of such notice, is of the reasonable opinion that:

10.2.1.1 as a result of any change in, or amendment to, the laws or regulations of South Africa or any political sub-division of, or any authority in, or of, South Africa having power to tax, or any change or amendment which becomes effective after the relevant Issue Date, the Issuer is or would be required to pay additional amounts as provided or referred to in Condition 11 (*Taxation*); and

10.2.1.2 the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 (ninety) calendar days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Notes may be redeemed by the Issuer in accordance with this Condition 10.2 (*Redemption for Tax Reasons*) in whole or in part. A redemption in part may be effected by the Issuer:

10.2.1.3 notwithstanding that such partial redemption may not entirely avoid such obligation to pay additional amounts as provided for or referred to in Condition 11 (*Taxation*); and

10.2.1.4 *mutatis mutandis* in the manner described in Condition 10.3 (*Redemption at the Option of the Issuer*), provided that the references to the giving of notice, to the Minimum Redemption Amount and to the Higher Redemption Amount (as specified in the Applicable Pricing Supplement) therein shall be disregarded for such purposes.

10.2.2 Notes redeemed for tax reasons pursuant to this Condition 10.2 (*Redemption for Tax Reasons*) will be redeemed at their Early Redemption Amount referred to in Condition 10.5 (*Early Redemption Amounts*), together (if appropriate) with interest accrued from (and including) the immediately preceding Interest Payment Date to (but excluding) the date of redemption or as specified in the Applicable Pricing Supplement.”;

9. the insertion of the words “*subject to Condition 10.13 (Redemption of Subordinated Notes) below,*” after the words “... *redeem, the Issuer may, ...*” in the second line of Condition 10.3.1 under Condition 10.3 titled “*Redemption at the Option of the Issuer*” under Condition 10 titled “*Redemption and Purchase*” on page 98 of the Programme Memorandum;
10. the insertion of the words “, *Condition 10.13.2 (Redemption for regulatory reasons),*” after the words “*For the purposes of Condition 10.2 (Redemption for Tax Reasons) ...*” in the first line of Condition 10.5.1 under Condition 10.5 titled “*Early Redemption Amounts*” under Condition 10 titled “*Redemption and Purchase*” on pages 100 to 101 of the Programme Memorandum;
11. the insertion of new Condition 10.13 titled “*Redemption of Subordinated Notes*” under Condition 10 titled “*Redemption and Purchase*” on page 100 of the Programme Memorandum:

“10.13 Redemption of Subordinated Notes

10.13.1 *Redemption of Capital Notes*

Subject to the applicable Capital Regulations and any instructions received from the Registrar of Banks, Subordinated Notes that are also Capital Notes may have a minimum Maturity Period determined in accordance with the Capital Regulations relating to such Capital Notes as set out in the Applicable Pricing Supplement. Notwithstanding the foregoing provisions of this Condition 10 (*Redemption and Purchase*), and subject to Conditions 10.13.2 (*Redemption for regulatory reasons*) to 10.13.3 (*Redemption of Tier 2 Notes*) below, for so long as the applicable Capital Regulations so require, Subordinated Notes that are also Capital Notes may be redeemed, or purchased and cancelled by the Issuer, prior to the Maturity Date only at the option of the Issuer (i) in accordance with the applicable Capital Regulations, (ii) with the prior written approval of the Registrar of Banks and (iii) in accordance with the Additional Conditions (if any) approved by the Registrar of Banks, even where an Event of Default has occurred.

10.13.2

Redemption for regulatory reasons

10.13.2.1 Subject to Condition 10.13.3 (*Redemption of Tier 2 Notes*) (as inserted by paragraph 11 of **Annexure C** to this Applicable Pricing Supplement), any Series of Tier 2 Notes may be redeemed at the option of the Issuer at any time (in the case of Notes other than Floating Rate Notes having an Interest Rate then determined on a floating basis) or on any Interest Payment Date (in the case of Floating Rate Notes), on giving not less than 30 (thirty) nor more than 60 (sixty) calendar days' notice prior to such redemption, to the Noteholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable), if the Issuer, immediately prior to the giving of such notice, is of the reasonable opinion that a Regulatory Event has occurred and is continuing.

10.13.2.2 Notes redeemed for regulatory reasons pursuant to this Condition 10.13 .2 (*Redemption for regulatory reasons*) will be redeemed, in whole but not in part, at their Early Redemption Amount referred to in

Condition 10.5 (*Early Redemption Amounts*), together (if appropriate) with interest accrued from (and including) the immediately preceding Interest Payment Date to (but excluding) the date of redemption or as specified in the Applicable Pricing Supplement.

10.13.2.3 Prior to the publication of any notice of redemption pursuant to this Condition 10.13.2 (*Redemption for regulatory reasons*), the Issuer shall deliver to the Calculation Agent (A) a certificate signed by 2 (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, and (C) 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 10.13.2 (*Redemption for regulatory reasons*), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10.13.2 (*Redemption for regulatory reasons*).

10.13.3 *Redemption of Tier 2 Notes*

Subject to the applicable Capital Regulations and any instructions received from the Registrar of Banks, 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:

- 10.13.3.1 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
- 10.13.3.2 if required pursuant to the Capital Regulations in force at the relevant time, 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.”;
12. the replacement of all references to “*Subordinated Note(s)*” in Condition 16.2 titled “*Subordinated Notes*” (including in the title thereof) under Condition 16 titled “*Events of Default*” on pages 110 to 111 of the Programme Memorandum to “*Subordinated Note(s) (other than Tier 2 Notes)*”; and
13. the insertion of new Condition 16.3 titled “*Tier 2 Notes*” under Condition 16 titled “*Events of Default*” on page 111 of the Programme Memorandum, and the consequent renumbering of Condition 16.3 titled “*Notification of Event of Default*” to Condition 16.4 titled “*Notification of Event of Default*”:

“16.3 Tier 2 Notes

- 16.3.1 This Condition 16.3 (*Tier 2 Notes*) only applies to Tier 2 Notes.
- 16.3.2 If the Issuer defaults in relation to Tier 2 Notes in the payment of any amount payable in respect of such Notes, and such default continues for a period of 7 (seven) Business Days after receiving written notice from any of the Tier 2 Noteholders, any Tier 2 Noteholder of that Series may, subject as provided below and to the Capital Regulations, 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.

- 16.3.3 In the event if the winding-up or liquidation, whether finally or provisionally, of the issuer, otherwise than for the purpose of an amalgamation, merger, consolidation or re-organisation not involving liquidation, winding-up or bankruptcy, then any Tier 2 Noteholder may by written notice to the Issuer at its registered office, require that its Tier 2 Notes are immediately due and payable at their Early Redemption Amount together with the accrued interest to the date of payment, save that the Tier 2 Noteholders may only receive payment once all the other creditors of the Issuer whose claims rank above those of the Tier 2 Noteholders have been paid in full, and subject to Condition 6.4.3 above.
- 16.3.4 Without prejudice to Conditions 16.3.2 and 16.3.3 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 but subject to the Capital Regulations, 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.”

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

The Programme Memorandum is amended in relation to these Tranches of Notes by the insertion of this new section titled “*Overview of the Regulatory Capital Requirements*” immediately after the section titled “*Overview of the Banking Sector in South Africa*” on page 178 of the Programme Memorandum:

OVERVIEW OF REGULATORY CAPITAL REQUIREMENTS

Capitalised terms used in this section titled “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 Tier 2 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 Programme Date 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 Relating to Banks promulgated thereunder including, but not limited to, Regulation 38 of the Regulations Relating to Banks, and (ii) consult their own legal and professional advisers as to the effects thereof.

Capital Notes

The issue of Capital Notes, including Tier 2 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 the proceeds of which rank as tier 2 capital

In the case of Capital Notes the proceeds of which rank as “*tier 2 capital*” (as defined in the Banks Act) must adhere to the following requirements:

- (a) In the case of any instrument or share that is subordinated to depositors and general creditors:
 - i. the terms and conditions of the instrument shall contain a provision that requires such instrument, at the option of the Registrar of Banks, to either be written off or converted into the most subordinated form of equity upon the occurrence of the trigger event specified in writing by the Registrar of Banks, unless duly enforceable legislation is in place that:
 - i. requires the instrument to be written off upon the occurrence of the aforesaid event; or
 - ii. otherwise requires the instrument to fully absorb loss before tax payers or ordinary depositors are exposed to loss,

and the bank or controlling company complies with such further requirements as may be directed by the Registrar of Banks in writing.

Provided that:

1. any compensation paid to the instrument holders as result of the aforesaid write-off shall be paid immediately and in the form of the most subordinated form of equity of the relevant bank or its controlling company, and the bank or controlling company, as the case may be, shall at all times maintain all prior authorisation necessary to immediately issue the relevant number of shares specified in the instrument's terms and conditions should the trigger event occur;
 2. the issuance of any new shares as a result of the trigger event shall occur prior to any public sector injection of capital so that the capital provided by the public sector shall not be diluted; and
 3. as a minimum, the aforesaid trigger event shall be the earlier of:
 - a. a decision that a write-off, without which the bank or controlling company would become non-viable, is necessary, as determined by the Registrar of Banks; or
 - b. the decision to make a public sector injection of capital, or equivalent support, without which the bank or controlling company would have become non-viable, as determined by the Registrar of Banks.
- ii. the bank or controlling company, as the case may be, shall obtain the prior written approval of the Registrar of Banks before the instrument or share is issued;
 - iii. the key features of the relevant instruments or shares shall be duly disclosed in the annual financial statements or other relevant disclosures to the general public;
 - iv. the instrument or share:
 - i. shall be issued and fully paid;
 - ii. shall be neither secured nor covered by any guarantee of the issuer or related or associated entity, or be subject to any other arrangement that legally or economically enhances the seniority of the claim;
 - iii. shall have a minimum original maturity of more than five years, provided that during the fifth year preceding the maturity of the relevant instrument the amount qualifying as tier 2 capital shall 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;

- iv. shall not contain any provision for step-up or other incentive to redeem;
- v. shall not have any credit sensitive dividend feature, that is, a dividend or coupon that is periodically reset based in whole or in part on the bank's credit standing or rating;
- vi. shall not be held or acquired by the bank or any person related to or associated with the bank or over which the bank exercises or may exercise control or significant influence; and
- vii. shall not be funded directly or indirectly by the relevant bank after a minimum period of five years, provided that:
 - 1. the bank shall obtain the prior written approval of the Registrar of Banks before exercising the said call;
 - 2. the bank shall not create any expectation that such call will be exercised;
 - 3. the bank shall not exercise the call unless the bank:
 - a. concurrently replaces the called instrument with capital of similar or better quality and the replacement of capital is done at conditions that are sustainable for/with the income capacity of the bank; or
 - b. demonstrates to the satisfaction of the Registrar of Banks that its capital position shall be well above the relevant specified minimum capital requirements after the call option is exercised;
- v. the investor shall not have any right to accelerate the repayment of future scheduled payments, such as coupon or principal, except in the case of bankruptcy and/or liquidation; and
- vi. when the instrument or share is issued by a special purpose vehicle or institution, instead of by an operating entity, that is, an entity established to conduct business with clients with the intention of earning a profit in its own right, or the relevant controlling company in the consolidated group, the proceeds shall be immediately available without limitation to an operating entity or the controlling company in a form that meets or exceeds all the relevant criteria for inclusion in tier 2 capital specified above.

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

The 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:

“Additional Conditions” means, in relation to any issue of Capital Notes, such conditions in addition to the conditions specified in the applicable Capital Regulations, as may be prescribed by the Registrar of Banks for the proceeds of the issue of such Notes to qualify as Regulatory Capital, as specified in the Applicable Pricing Supplement;

“Bank” means the Issuer;

“Capital Notes” means Subordinated Notes the proceeds of which are intended to qualify as Regulatory Capital in accordance with the relevant Capital Regulations;

“Capital Regulations” means at any time, any legislation, regulations, requires, 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 (including the Additional Conditions (if any)) (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);

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

“Early Redemption Amount” means the amount, as set out in Condition 10.5 (*Early Redemption Amounts*) or the Applicable Pricing Supplement, at which the Notes will be redeemed by the Issuer, pursuant to the provisions of Conditions 10.2 (*Redemption for Tax Reasons*), 10.13 (*Redemption of Subordinated Notes*) (as inserted by paragraph 11 of **Annexure C** to this Applicable Pricing Supplement) and/or Condition 16 (*Events of Default*);

“FSD” means the Financial Surveillance Department of the SARB;

“Maturity Period” means the period specified in the Applicable Pricing Supplement;

“Programme Date” means 20 February 2015;

“Relevant Part” means that portion of a Tier 2 Note, whether expressed as a value, a percentage or otherwise, to be written off upon the occurrence of a Trigger Event, as determined and notified by the Registrar of Banks;

“Registrar of Banks” means the Registrar of Banks designated under section 4 of the Banks Act;

“Registrar of Bank’s Trigger Event Notice” means the notification given to the Bank by the Registrar of Banks upon the occurrence of a Trigger Event as contemplated in the Capital Regulations, which notification may or may not be in writing;

“Regulations Relating to Banks” means the Regulations promulgated under section 90 of the Banks Act (published on 12 December 2012 as No. R. 12 1029 in Government Gazette No. 35950), as such Regulations may be amended, supplemented or replaced from time to time;

“Regulatory Capital” means *“common equity tier 1 capital”*, *“additional tier 1 capital”* and *“tier 2 capital”*, each as defined in the Banks Act;

“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);

“SARB” means the South African Reserve Bank;

“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 (including but not limited to any person having a claim against the Issuer in respect of a *“deposit”* (as defined in the Banks Act)), other than those creditors whose claims rank, or are expressed to rank, *pari passu* with, or junior to, those of Tier 2 Noteholders;

“Statutory Loss Absorption Regime” or **“SLAR”** has the meaning ascribed thereto in the Risk Factor titled *“Statutory Loss Absorption at the Point of Non-viability of the Issuer”*;

“Tier 2 Capital” has the meaning ascribed thereto in the Capital Regulations;

“Tier 2 Noteholder” means a Noteholder of Tier 2 Notes;

“Tier 2 Notes” means the Notes specified as such in this Applicable Pricing Supplement, the proceeds of which are capable of qualifying as Tier 2 Capital on the Issue Date;

“Trigger Event” means the “trigger event” specified in the Registrar of Bank’s Trigger Event Notice by the Registrar of Banks as contemplated in Regulation 38(14)(a)(i) of the Regulations Relating to Banks, provided that the minimum trigger event shall be the earlier of:

- (i) a decision that a conversion, without which the Bank would become non-viable, is necessary as determined and notified by the Registrar of Banks; or
- (ii) a decision to make a public sector injection of capital without which the Bank would become non-viable as determined and notified by the Registrar of Banks; and

“Write Off/Conversion Provisions” means those terms and conditions applicable to Tier 2 Notes – whether contractual or set out in the legislation and/or regulations which implement(s) the SLAR – which provide for and facilitate the write off and/or conversion of such Tier 2 Notes upon the occurrence of a Trigger Event, as contemplated in, and required by, the Capital Regulations.