



**FIRSTRAND**

**FirstRand Bank Limited**

*(Incorporated in the Republic of South Africa with limited liability under Registration Number 1929/001225/06)*

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**ZAR20,000,000,000**  
**Domestic Medium Term Note Programme**

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On 24 February 2004, FirstRand Bank Limited (the "Issuer" or "FirstRand"), established a ZAR5,000,000,000 Domestic Medium Term Note Programme (the "Programme") which is amended and restated by this Programme Memorandum dated 31 July 2007 (the "Programme Memorandum"). This Programme Memorandum supersedes any previous placing document or programme memorandum. Any Notes (as defined below) issued under the Programme Memorandum, prior to, on or after the date of this Programme Memorandum are subject to the provisions described herein.

Under this Programme the Issuer may from time to time issue notes (the "Notes"), which expression shall include Senior Notes and Subordinated Notes (each as defined below) that are subject to the terms and conditions (the "Terms and Conditions") contained in this Programme Memorandum. Any other terms and conditions not contained in the Terms and Conditions that are applicable to any Notes, replacing or modifying the Terms and Conditions, will be set forth in a pricing supplement (the "Applicable Pricing Supplement"). Except as set out herein, the Notes will not be subject to any maximum or minimum maturity. The maximum aggregate nominal amount of all Notes from time to time outstanding will not exceed ZAR20,000,000,000.

Application will be made for this Programme to be listed on the Bond Exchange of South Africa ("BESA") or its successor, or such other or further exchange as may be determined by the Issuer and the relevant authority and subject to the applicable ruling laws. Application may be made for the Notes to be issued under this Programme to be listed on BESA or its successor, or such other or further exchange as may be determined by the Issuer and the relevant authority and subject to the applicable ruling laws. Notice of the aggregate Nominal Amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under "Terms and Conditions of Notes") of Notes will be set forth in the Applicable Pricing Supplement which will be delivered to BESA and STRATE Limited (as defined under section entitled "Form of Notes") on or before the date of issue of such Notes and the Notes may then be traded by or through members of BESA from the date specified in the Applicable Pricing Supplement. The Issuer may determine that particular Notes will not be listed on BESA or any other exchange and in that case, no Applicable Pricing Supplement will be delivered to BESA.

The Notes may be issued on a continuing basis and be placed by one or more of the Dealers specified under section entitled "Summary of Programme" and any additional Dealer appointed from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "Dealer" and together the "Dealers"). The Dealer or Dealers with whom the Issuer agrees or proposes to agree on the issue of any Notes is or are referred to as "the relevant Dealer(s)" in respect of those Notes.

This Programme has, as at the date of this Programme Memorandum, not been rated by any rating agency, however, the Issuer may at any time obtain a rating from a rating agency for the Programme or any issue of Notes issued pursuant to the terms of this Programme. The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which case a supplementary Programme Memorandum, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

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Arranger, Dealer and Sponsoring Member  
**FirstRand Bank Limited,**  
acting through its Rand Merchant Bank Division

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This amended and restated Programme Memorandum is dated 31 July 2007

Capitalised terms used in this section 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 Issuer accepts responsibility for the information contained in this Programme Memorandum. To the best of the knowledge and belief of the Issuer (who has taken all reasonable care to ensure that such is the case) the information contained in this Programme Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.*

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

*This Programme Memorandum is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see section entitled "Documents Incorporated by Reference"). This Programme Memorandum shall be read and construed on the basis that such documents are incorporated into and form part of this Programme Memorandum.*

*The Arranger, the Dealers or any of their respective affiliates, other professional advisers and BESA named herein have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Arranger, the Dealers, other professional advisers or BESA as to the accuracy or completeness of the information contained in this Programme Memorandum or any other information provided by the Issuer. The Arranger, the Dealers, other professional advisers or BESA do not accept any liability in relation to the information contained in this Programme Memorandum or any other information provided by the Issuer in connection with the Programme.*

*No person has been authorised to give any information or to make any representation not contained in or not consistent with this Programme Memorandum or any other information supplied in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger, the Dealers, other professional advisers or BESA.*

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

*Each person contemplating the purchase of any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Programme Memorandum nor any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.*

*The delivery of this Programme Memorandum does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other financial statements or other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, inter alia, the most recent financial statements, if any, of the Issuer when deciding whether or not to purchase any Notes.*

*This Programme Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Programme Memorandum and the issue, sale or offer of Notes may be restricted by law in certain jurisdictions. No one of the Issuer, the Dealers, other professional advisers and BESA represents that this Programme Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers, other professional advisers or BESA which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Programme Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers and sales by them will be made on the same terms.*

*The distribution of this Programme Memorandum and the offer or sale of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Programme Memorandum or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Programme Memorandum and the offer, issue or sale of Notes in the United States, the United Kingdom, the European Economic Area and the Republic of South Africa.*

***The Notes have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act"). Notes may not be offered, sold or delivered within the United States or to U.S. persons except in accordance with Regulation S under the Securities Act.***

*Where any term is defined within the context of a particular clause or section in this Programme Memorandum, the term so defined, unless it is clear from the clause or section in question that the term so defined has limited application to the relevant clause or section, shall bear the meaning ascribed to it for all purposes in this Programme Memorandum, unless qualified by the terms and conditions of any particular Tranche of Notes as set out in the Applicable Pricing Supplement or unless the context otherwise requires. Expressions defined in this Programme Memorandum shall bear the same meanings in supplements to this Programme Memorandum which do not themselves contain their own definition.*

*All references in this document to "Rands", "ZAR" "South African Rand", "R" and "cent" refer to the currency of the Republic of South Africa.*

***In connection with the issue and distribution of any Tranche of Notes, the Issuer may, subject to the terms and conditions for stabilisation contained in the Applicable Pricing Supplement, over-allot or effect transactions which stabilise or maintain the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level which might not otherwise prevail. Stabilisation, if commenced, may be discontinued at any time. Stabilisation shall be carried out in accordance with all applicable laws and regulations.***

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## DOCUMENTS INCORPORATED BY REFERENCE

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*Words used in this section entitled "Documents Incorporated By Reference" 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 this is clearly inappropriate from the context.*

The following documents shall be deemed to be incorporated in, and to form part of, this Programme Memorandum:

- (a) all supplements to this Programme Memorandum circulated by the Issuer from time to time in accordance with the undertakings given by the Issuer in the Programme Agreement (as defined in the section entitled "*Subscription and Sale*" below); and
- (b) in respect of any Issue of Notes, the published annual report incorporating audited annual financial statements, and notes thereto, of the Issuer for the three financial years prior to such Issue; and
- (c) each Pricing Supplement relating to any Notes;

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

The Issuer will, in connection with the listing of the Notes on BESA, or its successor, or on such other exchange or further exchange or exchanges as may be selected by the Issuer, so long as any Note remains outstanding and listed on such exchange, in the event of a material adverse change in the condition (financial or otherwise) of the Issuer which is not reflected in this Programme Memorandum, prepare a further supplement to the Programme Memorandum or publish a new Programme Memorandum. If the terms of the Programme are modified or amended in a manner that would make this Programme Memorandum, as supplemented, inaccurate or misleading, a new Programme Memorandum will be prepared.

The Issuer will provide, free of charge, to each person to whom a copy of the Programme Memorandum has been delivered, upon request of such person, a copy of any of the documents deemed to be incorporated herein by reference, unless such documents have been modified or superseded. Requests for such documents should be directed to the Issuer at its registered office as set out herein. The audited annual financial statements and unaudited interim financial statements are also available on the Issuer's website, [www.firststrand.co.za](http://www.firststrand.co.za)

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## GENERAL DESCRIPTION OF THE PROGRAMME

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*Words used in this section entitled "General Description of the Programme" 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 this is clearly inappropriate from the context.*

Under the Programme, the Issuer may from time to time issue Notes denominated in the currency specified in the Applicable Pricing Supplement. The applicable terms of any Notes will be set out in the Terms and Conditions incorporated by reference into the Notes, as modified and supplemented by the Applicable Pricing Supplement relating to the Notes and any supplementary Programme Memorandum.

This Programme Memorandum and any supplement will only be valid for listing Notes on BESA, or its successor, and/or any other exchange in an aggregate Nominal Amount which, when added to the aggregate Nominal Amount then outstanding of all Notes previously or simultaneously issued under the Programme, does not exceed ZAR20,000,000,000. For the purpose of calculating the aggregate amount of Notes issued under the Programme from time to time the amount of any Zero Coupon Notes (as defined in the Terms and Conditions) and other Notes issued at a discount or premium shall be calculated by reference to the net subscription proceeds received by the Issuer for the relevant issue.

A summary of the Programme and the Terms and Conditions appears below.

This Programme Memorandum will only apply to Notes issued under the Programme.

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## SUMMARY OF THE PROGRAMME

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*The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Programme Memorandum and, in relation to the terms and conditions of any particular Tranche of Notes, the Applicable Pricing Supplement. Words and expressions defined in the "Terms and Conditions of the Notes" below shall have the same meanings in this summary.*

<b>Issuer</b>	FirstRand Bank Limited (" <b>FirstRand</b> ") (Registration Number 1929/001225/06).
<b>Arranger and Dealer</b>	FirstRand Bank Limited, acting through its Rand Merchant Bank Division.
<b>Blocked Rand</b>	Blocked Rand may be used to purchase Notes.
<b>Calculation Agent</b>	In relation to any Tranche of Notes, FirstRand Bank Limited, acting through its Rand Merchant Bank Division, or such other person specified in the Applicable Pricing Supplement as the Calculation Agent.
<b>CSD</b>	STRATE Limited (Registration Number 1998/022242/06), registered as a central securities depository in terms of the Securities Services Act, or such additional, alternative or successor central securities depository as may be agreed between the Issuer and the relevant Dealers.
<b>Clearing and Settlement</b>	The Notes will be cleared and settled in accordance with the rules of BESA, or its successor. The Bonds have been accepted for clearance through the CSD, which forms part of the BESA clearing system that is managed by STRATE Limited and may be accepted for clearance through any additional clearing system as may be agreed between BESA and the Issuer. As at the date of this Programme Memorandum, the BESA Settlement Agents are ABSA Bank Limited, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited and the South African Reserve Bank. Euroclear Bank S.A./N.V. as operator of the Euroclear System (" <b>Euroclear</b> ") and Clearstream Banking, société anonyme (Clearstream Luxembourg) (" <b>Clearstream</b> ") may hold Notes through their BESA Settlement Agent.
<b>Currency</b>	South African Rand (" <b>ZAR</b> ") or, subject to all applicable laws and, in the case of Notes listed on BESA, the rules of BESA, in such other currency as specified in the Applicable Pricing Supplement.
<b>Denomination</b>	Notes will be issued in such denominations as may be indicated in the Applicable Pricing Supplement.
<b>Distribution</b>	Notes may be distributed by way of private placement or any other means permitted under South African law, and in each case on a syndicated or non-syndicated basis as may be determined by the Issuer and the relevant Dealer(s) and reflected in the Applicable Pricing Supplement.
<b>Form of Notes</b>	Notes will be issued in the form of Registered Notes, Order Notes or Bearer Notes as described in the section entitled " <i>Form of Notes</i> ". In the case of Registered Notes which are listed on BESA, each Tranche of Notes will initially be evidenced by a Global Certificate, which shall be deposited before its Settlement Date with the CSD and registered in the name of the CSD's Nominee. Beneficial Interests in a Global Certificate will not be exchangeable for Individual Certificates except in the circumstances described in this Programme Memorandum.
<b>Governing Law</b>	The Notes will be governed by and construed in accordance with the laws of the Republic of South Africa in force from time to time.
<b>Interest Period(s)/ Interest Payment Date(s)</b>	Such period(s) or date(s) as specified in the Applicable Pricing Supplement.
<b>Issue and Transfer</b>	No stamp duty, marketable securities tax, uncertificated securities tax or any

<b>Taxes</b>	No stamp duty, uncertificated securities tax or any similar tax is payable in respect of the issue or transfer of marketable securities or securities qualifying as instruments as contemplated in section 24J of the Income Tax Act under current South African law;.																
<b>Issue Price</b>	Notes may be issued on a fully-paid or a partly-paid basis and at their Nominal Amount or at a discount or premium to their Nominal Amount as specified in the Applicable Pricing Supplement.																
<b>Listing and Trading</b>	Application will be made for this Programme to be listed on BESA (or its successor, or such other or further exchange as may be determined by the Issuer and the relevant authority and subject to the applicable ruling laws). Notes issued under the Programme may be listed on BESA (or on a successor exchange to BESA or such other or further exchange or exchanges as may be selected by the Issuer in relation to such issue). Unlisted Notes may also be issued under the Programme. Notes which were not originally issued under this Programme may (provided they are amended to be documented in terms of the Programme) be listed under the Programme. The Applicable Pricing Supplement in respect of a Tranche will specify whether or not such Notes will be listed and, if so, on which exchange.																
<b>Maturities of Notes</b>	Such maturity(ies) that are acceptable to BESA (or a successor exchange to BESA or such other or further exchange or exchanges as may be selected by the Issuer in relation to such issue) and that are specified in the Applicable Pricing Supplement. The Notes are not subject to any maximum or minimum maturity.																
<b>Notes</b>	Notes may comprise: <table border="0" style="margin-left: 20px;"> <tr> <td style="vertical-align: top;"><b>Fixed Rate Notes</b></td> <td>which will bear interest at a fixed rate, as indicated in the Applicable Pricing Supplement.</td> </tr> <tr> <td style="vertical-align: top;"><b>Floating Rate Notes</b></td> <td>which will bear interest determined with reference to the rate specified in the Applicable Pricing Supplement.</td> </tr> <tr> <td style="vertical-align: top;"><b>Zero Coupon Notes</b></td> <td>which may be issued at their Nominal Amount or at a discount to it and will not bear interest (except in the case of late payment as specified).</td> </tr> <tr> <td style="vertical-align: top;"><b>Indexed Notes</b></td> <td>in relation to which payments, in respect of interest on Indexed Interest Notes or in respect of principal on Indexed Redemption Amount Notes, will be calculated by reference to such index and/or formula as may be indicated in the Applicable Pricing Supplement.</td> </tr> <tr> <td style="vertical-align: top;"><b>Mixed Rate Notes</b></td> <td>which will bear interest over respective periods at the rates applicable for any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes, each as specified in the Applicable Pricing Supplement.</td> </tr> <tr> <td style="vertical-align: top;"><b>Instalment Notes</b></td> <td>in respect of which the Applicable Pricing Supplement will set out the dates on which, and the amounts in which, such Notes may be redeemed.</td> </tr> <tr> <td style="vertical-align: top;"><b>Partly Paid Notes</b></td> <td>in respect of which the Issue Price will be payable in two or more instalments as set out in the Applicable Pricing Supplement.</td> </tr> <tr> <td style="vertical-align: top;"><b>Exchangeable Notes</b></td> <td>which may be redeemed by the Issuer in cash or by the delivery of securities as specified in the Applicable Pricing Supplement.</td> </tr> </table>	<b>Fixed Rate Notes</b>	which will bear interest at a fixed rate, as indicated in the Applicable Pricing Supplement.	<b>Floating Rate Notes</b>	which will bear interest determined with reference to the rate specified in the Applicable Pricing Supplement.	<b>Zero Coupon Notes</b>	which may be issued at their Nominal Amount or at a discount to it and will not bear interest (except in the case of late payment as specified).	<b>Indexed Notes</b>	in relation to which payments, in respect of interest on Indexed Interest Notes or in respect of principal on Indexed Redemption Amount Notes, will be calculated by reference to such index and/or formula as may be indicated in the Applicable Pricing Supplement.	<b>Mixed Rate Notes</b>	which will bear interest over respective periods at the rates applicable for any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes, each as specified in the Applicable Pricing Supplement.	<b>Instalment Notes</b>	in respect of which the Applicable Pricing Supplement will set out the dates on which, and the amounts in which, such Notes may be redeemed.	<b>Partly Paid Notes</b>	in respect of which the Issue Price will be payable in two or more instalments as set out in the Applicable Pricing Supplement.	<b>Exchangeable Notes</b>	which may be redeemed by the Issuer in cash or by the delivery of securities as specified in the Applicable Pricing Supplement.
<b>Fixed Rate Notes</b>	which will bear interest at a fixed rate, as indicated in the Applicable Pricing Supplement.																
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<b>Senior Notes</b>	bearing the characteristics described under “ <i>Status of Senior Notes</i> ” below.
<b>Subordinated Notes</b>	bearing the characteristics described under “ <i>Status and Characteristics of Subordinated Notes</i> ” below.
<b>Other Notes</b>	Terms applicable to any other type of Notes that are approved by BESA, or its successor, will be set out in the Applicable Pricing Supplement.
<b>Noteholder(s)</b>	The holders of the Registered Notes (as recorded in the Register) and/or Bearers of Bearer Notes and/or the Payees of the Order Notes.
<b>Rating</b>	As at the date of this Programme Memorandum, this Programme has not been rated by any rating agency. The Issuer may however at any time obtain a rating by a rating agency of this Programme or any issue of Notes issued pursuant to this Programme.
<b>Redemption</b>	<p>The Pricing Supplement relating to each Tranche of Notes will indicate either that the Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer (in relation to Subordinated Notes identified in the Applicable Pricing Supplement of which the proceeds rank as secondary capital or tertiary capital in accordance with the Banks Act) and/or, in the case of Senior Notes only, the Noteholders upon giving not less than 15 nor more than 30 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.</p> <p>If Condition 6.4 is specified in the Applicable Pricing Supplement as being applicable, the Issuer shall be entitled, by notice to the Noteholders, to defer the due date for payment of any principal or interest in respect of such Notes where required or requested by the South African Registrar of Banks to do so and for such period and subject to such conditions as the Registrar of Banks may prescribe.</p> <p>The Applicable Pricing Supplement may provide that Notes may be repayable in two or more instalments of such amounts and on such dates as indicated in the Applicable Pricing Supplement.</p>
<b>Selling Restrictions</b>	There are restrictions on the sale of Notes and the distribution of offering materials in various jurisdictions. See section entitled “ <i>Subscription and Sale</i> ”, and such restrictions as may be imposed in the Applicable Pricing Supplement.
<b>Size</b>	Up to ZAR20,000,000,000 may be outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
<b>Status of Senior Notes</b>	The Senior Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer ranking <i>pari passu</i> amongst themselves and (save for certain debts required to be preferred by law) at least <i>pari passu</i> with all other unsecured and unsubordinated obligations of the Issuer.
<b>Status and Characteristics relating to Subordinated Notes</b>	The Subordinated Notes constitute direct, unsecured and subordinated obligations of the Issuer and will rank <i>pari passu</i> among themselves and will rank at least <i>pari passu</i> with all other present and future unsecured and subordinated obligations of the Issuer, save for those that have been accorded by law preferential rights. Notes of which the proceeds rank as secondary capital or tertiary capital under the Banks Act shall be Subordinated Notes and shall rank <i>pari passu</i> among themselves and among all other Subordinated Notes.

Subject to applicable law, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation 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 (as defined below), 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 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 or winding-up (other than Subordinated Indebtedness) has been paid or discharged in full. The term “**Subordinated Indebtedness**” means any indebtedness of the Issuer, including any guarantee by the Issuer, under which the right of payment of the person(s) entitled thereto is, or is expressed to be, or is required by any present or future agreement of the Issuer to be, subordinated to the rights of all unsubordinated creditors of the Issuer in the event of the dissolution of the Issuer or if the Issuer is wound up or placed in liquidation.

<b>Stabilisation</b>	In connection with the issue and distribution of any Tranche of Notes, the Issuer may, subject to the terms and conditions for stabilisation contained in the Applicable Pricing Supplement, over-allot or effect transactions which stabilise or maintain the market price of the Notes of the Series (as defined below) of which such Tranche forms part at a level which might not otherwise prevail. Stabilisation, if commenced, may be discontinued at any time. Stabilisation shall be carried out in accordance with all applicable laws and regulations.
<b>Transfer Secretary</b>	In relation to any Tranche of Notes, FirstRand Bank Limited, acting through its Rand Merchant Bank Division, or such other person specified in the Applicable Pricing Supplement as the Transfer Secretary will act as transfer secretary and will maintain the Register.
<b>Use of Proceeds</b>	The Issuer will use the issue proceeds of the Notes for its general corporate activities.
<b>Withholding Tax</b>	All payments in respect of the Notes will be made without withholding or deduction for or on account of taxes levied in South Africa, subject to certain exceptions as provided in Condition 11. In the event that withholding tax or such other deduction is required by law, then the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction.

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## **FORM OF THE NOTES**

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*Words used in this section entitled "Form of the Notes" 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 this is clearly inappropriate from the context.*

Notes may be issued in Registered, Bearer or Order form, as specified in the Applicable Pricing Supplement.

The Notes may be listed on the BESA and/or a successor exchange to BESA or such other or further exchange or exchanges as the Issuer may select in relation to an issue. Each Tranche of Notes listed on BESA will be issued in accordance with the Terms and Conditions set out below in this Programme Memorandum in the form of a Global Certificate, without interest coupons, which will be lodged and immobilised in the CSD, which forms part of the settlement system of BESA. This will entail that the Notes, represented by the Global Certificate, will be deposited with the CSD and registered in the name of, and for the account of the CSD's Nominee.

In the event that the Notes are issued in uncertificated form, no Certificates shall be issued in respect thereof.

All Notes not represented by a Global Certificate, including Bearer Notes and Order Notes (each defined below) shall be issued in definitive form as Individual Certificate. Notes represented by Individual Certificates may only be transferred in accordance with the provisions of Condition 14.

### **Listed Registered Notes**

Beneficial interests in Notes which are lodged in the form of the Global Certificate in the CSD may, in terms of existing law and practice, be transferred through the CSD by way of book entry in the securities accounts of the participants in the CSD, who are also approved by BESA to act as Settlement Agents and therefore perform electronic settlement of both funds and scrip on behalf of market participants. A certificate or other document issued by a Participant as to the principal amount of such Beneficial Interest in Notes standing to the account of any person shall be prima facie proof of such Beneficial Interest. A Global Certificate may be replaced by the issue of uncertificated securities in terms of Section 37 of the Securities Services Act.

Beneficial Interests in Notes may be exchanged, without charge by the Issuer, for Individual Certificates in accordance with the provisions of Condition 12 of the Terms and Conditions. The Notes represented by the Global Certificate and Individual Certificates will be registered in the names of the Noteholders in the Register of Noteholders maintained by the Issuer. . The Issuer shall regard the Register as the conclusive record of title to the Notes. The CSD shall be recognised by the Issuer as the owner of the Notes represented by the Global Certificate and the registered holders of Individual Certificates shall be recognised by the Issuer as the owners of the Notes represented by such Individual Certificates.

### **Bearer and Order Notes**

Bearer Notes issued in bearer form and Order Notes issued in order form and which are interest bearing shall, if indicated in the Applicable Pricing Supplement, have interest Coupons and, if indicated in the Applicable Pricing Supplement, Talons for further Coupons attached on issue. Notes repayable in instalments shall have Receipts for the payment of the instalments of principal (other than the final instalment) attached on issue.

Title to Bearer Notes and/or Receipts, Coupons and Talons attached on issue to the Certificate evidencing such Bearer Notes will pass by delivery of such Certificate, Receipt, Coupon or Talon (as the case may be). Title to Order Notes and/or any Receipts, Coupons and Talons attached on issue to the Certificate evidencing such Order Note, will pass by way of endorsement and delivery of such Certificate, Receipt, Coupon or Talon (as the case may be).

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## PRO FORMA PRICING SUPPLEMENT

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



# FIRSTRAND

## FirstRand Bank Limited

*(Incorporated in the Republic of South Africa with limited liability under Registration Number 1929/001225/06)*

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

Under its ZAR5,000,000,000 Domestic Medium Term Note Programme

This document constitutes the 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 amended and restated Programme Memorandum dated 31 July 2007. The Notes described in this Pricing Supplement are subject to the Terms and Conditions in the Programme Memorandum and this 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 Pricing Supplement and the Programme Memorandum, the provisions of this Pricing Supplement shall prevail.

### DESCRIPTION OF THE NOTES

1. Issuer	FirstRand Bank Limited
2. Status of Notes	[Senior/Subordinated] Notes
3. Qualification of Notes of which the proceeds rank as Secondary Capital under the Banks Act	[Yes/No]
4. Qualification of Notes of which the proceeds rank as Tertiary Capital under the Banks Act	[Yes/No]
5. Series No.	[...]
6. Tranche No.	[...]
7. Aggregate Nominal Amount	[...]
8. Interest/Payment Basis	[Fixed Rate/Floating Rate/Zero Coupon/Indexed/Partly Paid/Instalment/other] Notes
9. Automatic/Optional Conversion from one Interest/ Payment Basis to another	[insert details including date for conversion]
10. Form of Notes	[Registered/Bearer/Order] Notes
11. Issue Date	[...]
12. Business Centre	[...]
13. Additional Business Centre	[...]
14. Nominal Amount per Note	[...]
15. Specified Denomination	[...]
16. Issue Price	[...]

17.	Interest Commencement Date	[...]
18.	Maturity Date	[...]
19.	Specified Currency	[...]
20.	Applicable Business Day Convention	[Floating Rate Business Day/Following Business Day/Modified Following Business Day/Modified Following Business Day Adjusted/Preceding Business Day/other convention – insert details]
21.	Final Redemption Amount	[...]
22.	Interest Payment Dates	[...]
23.	Last Date to Register	[...]
24.	Books Closed Period(s)	The Register will be closed from [...] to [...] and from [...] to [...] (all dates inclusive) in each year until the Maturity Date
25.	Default Rate	[...]
26.	Yield	[...]
<b>FIXED RATE NOTES</b>		
27.	(a) Fixed Rate of Interest	[...] per cent. per annum
	(b) Fixed Interest Payment Date(s)	[...]
	(c) Initial Broken Amount	[...]
	(d) Final Broken Amount	[...]
	(e) Any other terms relating to the particular method of calculating interest	[...]
<b>FLOATING RATE NOTES</b>		
28.	(a) Floating Interest Payment Date(s)	[...]
	(b) Interest Period(s)	[...]
	(c) Definition of Business Day (if different from that set out in Condition 1)	[...]
	(d) Minimum Rate of Interest	[...] per cent. per annum
	(e) Maximum Rate of Interest	[...] per cent. per annum
	(f) Other terms relating to the method of calculating interest (e.g.: day count fraction, rounding up provision)	[...]
29.	Manner in which the Rate of Interest is to be determined	[ISDA Determination/Screen Rate Determination/other – insert details]
30.	Margin	[...] basis points to be added to/subtracted from the relevant (ISDA Rate/Reference Rate)]
31.	If ISDA Determination	
	(a) Floating Rate	[...]
	(b) Floating Rate Option	[...]
	(c) Designated Maturity	[...]
	(d) Reset Date(s)	[...]

- (e) ISDA Definitions to apply [...]
- 32. If Screen Determination
  - (a) Reference Rate (including relevant period by reference to which the Rate of Interest is to be calculated) [...]
  - (b) Interest Rate Determination Date(s) [...]
  - (c) Relevant Screen page and Reference Code [...]
- 33. 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 [...]
- 34. Calculation Agent, responsible for calculating amount of principal and interest [...]

**ZERO COUPON NOTES**

- 35. (a) Implied Yield [...]
- (b) Reference Price [...]
- (c) Any other formula or basis for determining amount(s) payable [...]

**PARTLY PAID NOTES**

- 36. (a) Amount of each payment comprising the Issue Price [...]
- (b) Date upon which each payment is to be made by Noteholder [...]
- (c) Consequences (if any) of failure to make any such payment by Noteholder [...]
- (d) Interest Rate to accrue on the first and subsequent instalments after the due date for payment of such instalments [...] per cent

**INSTALMENT NOTES**

- 37. Instalment Dates [...]
- 38. Instalment Amounts (expressed as a percentage of the aggregate Nominal Amount of the Notes) [...]

**MIXED RATE NOTES**

- 39. Period(s) during which the interest rate for the Mixed Rate Notes will be (as applicable) that for:
  - (a) Fixed Rate Notes [...]
  - (b) Floating Rate Notes [...]
  - (c) Indexed Notes [...]
  - (d) Other Notes [...]
- 40. The interest rate and other pertinent

details are set out under the headings relating to the applicable forms of Notes

#### **INDEXED NOTES**

- |   |  |
|---|--|
| 41. (a) Type of Indexed Notes   | [Indexed Interest/Indexed Redemption Amount] Notes |
| (b) Index/Formula by reference to which Interest Rate/ Interest Amount (delete as applicable) is to be determined | [...]  |
| (c) Manner in which the Interest Rate/Interest Amount (delete as applicable) is to be determined                  | [...]  |
| (d) Interest Period(s)  | [...]  |
| (e) Interest Payment Date(s)  | [...]  |
| (f) Calculation Agent (if not the Issuer)   | [...]  |
| (g) Provisions where calculation by reference to Index and/or Formula is impossible or impracticable              | [...]  |

#### **EXCHANGEABLE NOTES**

- |   |          |
|---|----------|
| 42. (a) Mandatory Exchange applicable?      | [Yes/No] |
| (b) Noteholders' Exchange Right applicable? | [Yes/No] |
| (c) Exchange Securities                     | [...]    |
| (d) Manner of determining Exchange Price    | [...]    |
| (e) Exchange Period                         | [...]    |
| (f) Other                                   | [...]    |

#### **OTHER NOTES**

- |   |       |
|---|-------|
| 43. Relevant description and any additional Terms and Conditions relating to such Notes | [...] |
|---|-------|

#### **PROVISIONS REGARDING REDEMPTION/MATURITY**

- |  |          |
|--|----------|
| 44. Prior consent of Registrar of Banks required for any redemption prior to Maturity Date | [Yes/No] |
| 45. Issuer's Optional Redemption: if yes   | [Yes/No] |
| (a) Optional Redemption Date(s)  | [...]    |
| (b) Optional Redemption Amount(s) and method, if any, of calculation of such amount        | [...]    |
| (c) Minimum Period of Notice (if different from Condition 10.3)                            | [...]    |
| (d) If redeemable in part:   | [...]    |
| Minimum Redemption Amount(s)   | [...]    |
| Higher Redemption Amount(s)  | [...]    |

- (e) Other terms applicable on Redemption
46. Redemption at the Option of the Senior Noteholders: if yes [Yes/No]
- (a) Optional Redemption Date(s) [...]
- (b) Optional Redemption Amount(s) [...]
- (c) Minimum Period of Notice (if different from Condition 10.4) [...]
- (d) If redeemable in part:
- Minimum Redemption Amount(s) [...]
- Higher Redemption Amount(s) [...]
- (e) Other terms applicable on Redemption [...]
- (f) Attach *pro forma* put notice(s)
47. Early Redemption Amount(s) payable on redemption for taxation reasons or on Event of Default (if required) [Yes/No]
- (a) Amount payable; or [...]
- (b) Method of calculation of amount payable [...]

**GENERAL**

48. Exchange [...]
49. Calculation Agent [...]
50. Paying Agent [...]
51. Specified office of the Paying Agent [...]
52. Transfer Secretary [...]
53. Provisions relating to stabilisation [...]
54. Condition 6.4 to apply (deferral of interest and principal payments)? In the event that Condition 6.4 applies, where the Registrar of Banks has required or requested a Deferred Payment, subject to such conditions as the Registrar of Banks may prescribe, the Issuer shall be entitled, by giving a Deferral Notice to the Noteholders, to defer the due date for payment of any principal or interest in respect of such Notes. [Yes/No]
55. Additional selling restrictions [...]
56. ISIN [...]
57. Stock Code [...]
58. The notice period required for exchanging interests in Global Certificates for Individual Certificates [...]
59. Method of distribution [...]
60. If syndicated, names of Managers [...]



- |   |   |
|---|---|
| 61. Credit Rating assigned to Notes (if any)                                      | [...]   |
| 62. Receipts attached?  | [Yes/No]  |
| 63. If yes, number of Receipts attached   | [...]   |
| 64. Coupons attached?   | [Yes/No]  |
| 65. If yes, number of Coupons attached  | [...]   |
| 66. Talons attached?  | [Yes/No]  |
| 67. If yes, number of Talons attached   | [...]   |
| 68. Stripping of Receipts and/or Coupons prohibited as provided in Condition 14.4 | [Yes/No]  |
| 69. Governing law (if the laws of South Africa are not applicable)                | [...]   |
| 70. Other Banking Jurisdiction  | [...]   |
| 71. Surrendering of Notes   | [...] days after the date on which the Certificate in respect of the Note to be redeemed has been surrendered to the Issuer |
| 72. Pricing Methodology   | [Standard BESA pricing methodology/other – insert details]  |
| 73. Other provisions  | [...]   |

**Responsibility**

The Issuer accepts responsibility for the information contained in this Applicable Pricing Supplement. Application [is hereby]/[will not be] made to list this issue of Notes [on [date]].

**SIGNED** at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_.

For and on behalf of  
**FIRSTRAND BANK LIMITED,**

\_\_\_\_\_  
Name:  
Capacity:  
Who warrants his authority hereto

\_\_\_\_\_  
Name:  
Capacity:  
Who warrants his authority hereto

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## TERMS AND CONDITIONS OF THE NOTES

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*The following are the Terms and Conditions of Notes to be issued by the Issuer which will be incorporated by reference into each Note. The Applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Tranche of Notes. The Applicable Pricing Supplement will be attached to each Note.*

Before the Issuer issues any Tranche of Notes, the Issuer shall complete, sign and deliver to BESA and the CSD a pricing supplement based on the pro forma Pricing Supplement included in the Programme Memorandum (a “**Pricing Supplement**”) setting out details of such Notes.

If there is any conflict or inconsistency between provisions set out in the Pricing Supplement and the provisions set out in these Terms and Conditions of the Notes, then the provisions in the Pricing Supplement will prevail.

Words and expressions used in the Applicable Pricing Supplement shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated.

### 1. INTERPRETATION

In these Terms and Conditions, unless inconsistent with the context or separately defined in the Applicable Pricing Supplement, the following expressions shall have the following meanings:

- 1.1 “**Agency Agreement**” means the agency agreement to be entered into between the Issuer, the Transfer Secretary, the Calculation Agent and the Paying Agent, if the Issuer is not acting in any of the aforementioned capacities;
- 1.2 “**Applicable Pricing Supplement**” means the Pricing Supplement relating to each Tranche of Notes;
- 1.3 “**Applicable Procedures**” means the rules and operating procedures for the time being of the CSD and BESA, as the case may be;
- 1.4 “**Banks Act**” means the Banks Act, 1990, as amended;
- 1.5 “**Bearer**” means the bearer of a Certificate evidencing a Bearer Note or of a Receipt or Coupon attached to such Certificate on issue;
- 1.6 “**Bearer Note**” means a Note payable to the Bearer thereof, transferable by way of delivery in accordance with Condition 14.2 and the term “*Bearer Note*” shall include the rights to payment of any interest or principal represented by a Coupon or Receipt (if any) attached on issue to the Certificate evidencing such Bearer Note;
- 1.7 “**Beneficial Interest**” means the undivided share of a co-owner of the Notes represented by a Global Certificate as provided in section 41 of the Securities Services Act;
- 1.8 “**BESA**” means the Bond Exchange of South Africa, a licensed financial exchange in terms of the Securities Services Act or any exchange which operates as a successor exchange to BESA;
- 1.9 “**Books Closed Period**” means the period, as specified in the Applicable Pricing Supplement, commencing after the Last Date to Register, during which transfer of the Notes will not be registered, or such shorter period as the Issuer may decide in order to determine those Noteholders entitled to receive interest;
- 1.10 “**Business Day**” means a day (other than a Saturday or Sunday or public holiday within the meaning of the Public Holidays Act, 1994, as amended) which is a day on which commercial banks settle ZAR payments in Johannesburg or any Additional Business Centre specified in the Applicable Pricing Supplement, save that if the Specified Currency is not ZAR, “*Business Day*” shall mean a day (other than a Saturday or Sunday) which is a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the Specified Currency and in each (if any) Additional Business Centre, save further that if the Applicable Pricing Supplement so provides, “*Business Day*” shall include a Saturday;

- 1.11 “**Calculation Agent**” means FirstRand Bank Limited, acting through its Rand Merchant Bank Division, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Calculation Agent in respect of that Tranche or Series of Notes;
- 1.12 “**Certificate**” means a Global Certificate or Individual Certificate;
- 1.13 “**Coupon**” means an interest coupon evidencing title to an interest payment in respect of an interest bearing Note which is a Bearer Note or an Order Note, attached to the Certificate evidencing such interest bearing Note and any reference to a Coupon shall, unless the context otherwise requires, be deemed to include a reference to a Talon;
- 1.14 “**CSD**” means STRATE Limited (Registration number 1998/022242/06), or its nominee, operating in terms of the Securities Services Act (or any successor legislation thereto), or any additional or alternate depository approved by the Issuer;
- 1.15 “**CSD’s Nominee**” means Central Depository Nominees (Proprietary) Limited (Registration Number 1990/006665/07) a Wholly Owned Subsidiary of the CSD;
- 1.16 “**Dealer**” means any Dealer, as may be appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis, subject to the Issuer’s right to terminate the appointment of any Dealer;
- 1.17 “**Early Redemption Amount**” means the amount, as set out in Condition 10.5, at which the Notes will be redeemed by the Issuer pursuant to the provisions of Condition 10.2 and/or Condition 16;
- 1.18 “**Endorsement**” means an “indorsement”, *mutatis mutandis*, within the meaning of the Bills of Exchange Act, 1964;
- 1.19 “**Endorsement in Blank**” means an Endorsement which specifies no named Payee;
- 1.20 “**Event of Default**” means an event of default by the Issuer as set out in Condition 16;
- 1.21 “**Exchangeable Notes**” means Notes which may be redeemed by the Issuer in the manner indicated in the Applicable Pricing Supplement by the delivery to the Noteholders of cash or of so many of the Exchange Securities as is determined in accordance with the Applicable Pricing Supplement;
- 1.22 “**Exchange Period**” means in respect of Exchangeable Notes to which the Noteholders’ Exchange Right applies (as indicated in the Applicable Pricing Supplement), the period indicated in the Applicable Pricing Supplement during which such right may be exercised;
- 1.23 “**Exchange Price**” means the amount determined in accordance with the manner described in the Applicable Supplement, according to which the number of Exchange Securities which may be delivered in redemption of an Exchangeable Note will be determined;
- 1.24 “**Exchange Securities**” means the securities indicated in the Applicable Pricing Supplement which may be delivered by the Issuer in redemption of Exchangeable Notes to the value of the Exchange Price;
- 1.25 “**Extraordinary Resolution**” means a resolution passed at a meeting (duly convened) of the Noteholders by a majority consisting of not less than 66⅔% (sixty six and two thirds per cent.) of the persons voting thereat upon a show of hands or if a poll be duly demanded then by a majority consisting of not less than 66⅔% (sixty six and two thirds per cent.) of the votes given on such poll;
- 1.26 “**Final Redemption Amount**” means the amount of principal specified in the Applicable Pricing Supplement payable in respect of each Note upon the Maturity Date;
- 1.27 “**FirstRand Group**” means the Issuer, its holding company and any subsidiaries of its holding company;
- 1.28 “**Fixed Rate Notes**” means Notes which will bear interest at the fixed Interest Rate, as indicated in the Applicable Pricing Supplement;

- 1.29 “**Floating Rate Notes**” means Notes which will bear interest as indicated in the Applicable Pricing Supplement and more fully described in Condition 7.2;
- 1.30 “**Global Certificate**” means the single Certificate, without interest coupons, registered in the name of the CSD’s Nominee and representing those Notes issued in terms of the Terms and Conditions which are lodged and immobilised in the CSD other than those Notes represented by the Individual Certificates. A Global Certificate may be replaced by the issue of uncertificated securities in terms of Section 37 of the Securities Services Act;
- 1.31 “**Group of Noteholders**” means the holders of a Series of Notes or, where appropriate, the holders of different Series of Notes;
- 1.32 “**Implied Yield**” means the yield accruing on the Issue Price of Zero Coupon Notes, as specified in the Applicable Pricing Supplement;
- 1.33 “**Indexed Interest Notes**” means Notes in respect of which the Interest Amount is calculated by reference to such index and/or formula as indicated in the Applicable Pricing Supplement;
- 1.34 “**Indexed Notes**” means an Indexed Interest Note and/or an Indexed Redemption Amount Note, as applicable;
- 1.35 “**Indexed Redemption Amount Notes**” means Notes in respect of which the Final Redemption Amount calculated by reference to an index and/or a formula as may be indicated in the Applicable Pricing Supplement;
- 1.36 “**Individual Certificate**” means:
- 1.36.1 in respect of Registered Notes: a Note in the definitive registered form of a single Certificate and, in respect of Registered Notes which are listed, being a Certificate exchanged for a Beneficial Interest in the Notes represented by the Global Certificate in accordance with Condition 12 and any further Certificate issued in consequence of a transfer thereof;
- 1.36.2 in respect of Bearer Notes: a Note in the definitive bearer form of a single Certificate together with Coupons and/or Receipts, if applicable;
- 1.36.3 in respect of Order Notes: a Note in the definitive order form of a single Certificate together with Coupons and/or Receipts, if applicable;
- 1.37 “**Instalment Amount**” means the amount expressed as a percentage of the Nominal Amount of an Instalment Note, being an instalment of principal (other than the final instalment) on an Instalment Note;
- 1.38 “**Instalment Notes**” means Notes issued at the same date but redeemed in Instalment Amounts by the Issuer on an amortised basis on different Instalment Dates (as indicated in the Applicable Pricing Supplement);
- 1.39 “**Interest Amount**” means the amount of interest payable in respect of each Principal Amount of Fixed Rate Notes, Floating Rate Notes and Indexed Notes, as determined in accordance with Condition 7.1, 7.2 and 7.4, respectively;
- 1.40 “**Interest Commencement Date**” means the first date from which interest on the Notes, other than Zero Coupon Notes, will accrue, as specified in the Applicable Pricing Supplement;
- 1.41 “**Interest Payment Date**” means the Interest Payment Date(s) specified in the Applicable Pricing Supplement or if no express Interest Payment Date(s) is/are specified in the Applicable Pricing Supplement, the last day of the Interest Period commencing on the preceding Interest Payment Date, or, in the case of the first Interest Payment Date, commencing on the Interest Commencement Date;
- 1.42 “**Interest Period**” means the period(s) in respect of which interest accrues on Notes other than Zero Coupon Notes and falls due for payment on the applicable Interest Payment Date;

- 1.43 “**Interest Rate**” means the rate or rates of interest applicable to Notes other than Zero Coupon Notes as indicated in the Applicable Pricing Supplement;
- 1.44 “**ISDA**” means the International Swaps and Derivatives Association, Inc;
- 1.45 “**ISDA Definitions**” means the ISDA Definitions as published by ISDA (as amended, supplemented, revised or republished from time to time) as specified in the Applicable Pricing Supplement;
- 1.46 “**Issuer**” means FirstRand Bank Limited (Registration number 1929/001225/06);
- 1.47 “**Last Day to Register**” means, with respect to a particular Series of Notes (as reflected in the Applicable Pricing Supplement), the last date or dates preceding a Payment Day on which the Transfer Secretary will accept Transfer Forms and record the transfer of Notes in the Register for that particular Series of Notes and whereafter the Register is closed for further transfers or entries until the Payment Day;
- 1.48 “**Mandatory Exchange**” means, if indicated in the Applicable Pricing Supplement, the obligation of the Issuer to redeem Exchangeable Notes on the Maturity Date by delivery of Exchange Securities to the relevant Noteholders of Exchangeable Notes;
- 1.49 “**Mixed Rate Notes**” means Notes which will bear interest over respective periods at differing Interest Rates applicable to any combination of Fixed Rate Notes, Floating Rate Notes or Indexed Notes, each as indicated in the Applicable Pricing Supplement and as more fully described in Condition 7.3;
- 1.50 “**NACA**” means nominal annual compounded annually;
- 1.51 “**NACM**” means nominal annual compounded monthly;
- 1.52 “**NACQ**” means nominal annual compounded quarterly;
- 1.53 “**NACS**” means nominal annual compounded semi-annually;
- 1.54 “**Nominal Amount**” means, in relation to any Note, the total amount, excluding interest and any adjustments on account of any formula, owing by the Issuer under the Note;
- 1.55 “**Noteholders**” means the holders of the Registered Notes (as recorded in the Register) and/or the Bearers of the Bearer Notes and/or the Payees of the Order Notes;
- 1.56 “**Noteholders’ Exchange Right**” means, if indicated as applicable in the Applicable Pricing Supplement, the right of Noteholders of Exchangeable Notes to elect to receive delivery of the Exchange Securities in lieu of cash from the Issuer upon redemption of such Notes;
- 1.57 “**Notes**” means the notes issued or to be issued by the Issuer under the Programme and represented by a Certificate together with Receipts and/or Coupons (if any) or uncertificated Notes;
- 1.58 “**Order Note**” means a Note payable to the Payee thereon, transferable by way of Endorsement and delivery in accordance with Condition 14.3 and the term “Order Note” shall include the rights to interest or principal represented by a Coupon or Receipt (if any) attached on issue to the Certificate evidencing such Order Note;
- 1.59 “**Outstanding**” means in relation to the Notes, all the Notes issued other than:
- 1.59.1 those which have been redeemed in full;
- 1.59.2 those in respect of which the date for redemption in accordance with the Terms and Conditions has occurred and the redemption moneys wherefor (including all interest (if any) accrued thereon to the date for such redemption and any interest (if any) payable under the Terms and Conditions after such date) remain available for payment against presentation of Certificates;
- 1.59.3 those which have been purchased and cancelled as provided in Condition 10;
- 1.59.4 those which have become prescribed under Condition 15;

- 1.59.5 Notes represented by those mutilated or defaced Certificates which have been surrendered in exchange for replacement Certificates pursuant to Condition 12;
- 1.59.6 (for the purpose only of determining how many Notes are Outstanding and without prejudice to their status for any other purpose) those Notes represented by Certificates alleged to have been lost, stolen or destroyed and in respect of which replacement Certificates have been issued pursuant to Condition 12,

provided that for each of the following purposes, namely:

- 1.59.7 the right to attend and vote at any meeting of the Noteholders; and
- 1.59.8 the determination of how many and which Notes are for the time being Outstanding for the purposes of Conditions 19 and 20,

all:

- 1.59.9 Notes (if any) which are for the time being held by the Issuer (subject to any applicable law) or by any person for the benefit of the Issuer and not cancelled shall (unless and until ceasing to be so held);

- 1.59.10 Receipts and Coupons,

shall be deemed not to be Outstanding;

- 1.60 **“Participants”** means depository institutions accepted by the CSD as participants in terms of the Securities Services Act;
- 1.61 **“Partly Paid Notes”** means Notes which are issued with the Issue Price partly paid and which Issue Price is paid up fully by the Noteholder in instalments (as indicated in the Applicable Pricing Supplement);
- 1.62 **“Payee”** means a person reflected (either as the subscriber or by way of Endorsement) as the payee on a Certificate evidencing an Order Note or a Receipt or Coupon attached thereto on issue and to whom such Certificate, Receipt or Coupon (as the case may be) has been delivered;
- 1.63 **“Paying Agent”** means FirstRand Bank Limited, acting through its Rand Merchant Bank Division, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Paying Agent, in which event that other entity shall act as Paying Agent in respect of that Tranche or Series of Notes;
- 1.64 **“Payment Day”** means any day which is a Business Day and upon which a payment is due by the Issuer in respect of the Notes;
- 1.65 **“Programme”** means the Domestic Medium Term Note Programme under which the Issuer may from time to time issue Notes;
- 1.66 **“Receipt”** means a receipt evidencing title to payment of an Instalment Amount payable on an Instalment Note which is a Bearer Note or Order Note, attached upon issue to the Certificate evidencing such Instalment Note;
- 1.67 **“Register”** means the register maintained by the Issuer in terms of Condition 13;
- 1.68 **“Registered Note”** means a Note issued in registered form and transferable in accordance with Condition 14.1;
- 1.69 **“Registrar of Banks”** means the Registrar of Banks in accordance with the Banks Act,;
- 1.70 **“Relevant Date”** means in respect of any payment relating to the Notes, the date on which such payment first becomes due, except that, in relation to monies payable to the CSD in accordance with these Terms and Conditions, it means the first date on which (i) the full amount of such monies have been received by the CSD, (ii) such monies are available for payment to the holders of Beneficial Interests and (iii) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;
- 1.71 **“Representative”** means a person duly authorised to act on behalf of a Noteholder, the Transfer Secretary and the Paying Agent who may be regarded by the Issuer (acting in

good faith) as being duly authorised based upon the tacit or express representation thereof by such Representative, in the absence of express notice to the contrary from such Noteholder;

- 1.72 “**Securities Services Act**” means the Securities Services Act, 2004, as amended;
- 1.73 “**Senior Notes**” means Notes issued with the status set out in Condition 5;
- 1.74 “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are:
  - 1.74.1 expressed to be consolidated and form a single series;
  - 1.74.2 identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;
- 1.75 “**Settlement Agent**” means a Participant, approved by BESA in terms of the rules of BESA to perform electronic settlement of both funds and scrip on behalf of market participants;
- 1.76 “**Subordinated Notes**” means Notes issued with the status and characteristics set out in Condition 6;
- 1.77 “**Talon**” means a talon entitling the holder to receive further Coupons in relation to an interest bearing Bearer Note or Order Note, if indicated in the Applicable Pricing Supplement, attached to the Certificate evidencing such interest bearing Note;
- 1.78 “**Terms and Conditions**” means the terms and conditions incorporated in this section headed “Terms and Conditions of the Notes” and in accordance with which the Notes will be issued;
- 1.79 “**Tranche**” means, in relation to any particular Series, all Notes which are identical in all respects (including as to listing);
- 1.80 “**Transfer Secretary**” means FirstRand Bank Limited, acting through its Rand Merchant Bank Division, unless the Issuer elects to appoint another entity as Transfer Secretary in accordance with the Agency Agreement, in which event that other entity shall act as an Transfer Secretary in respect of the Notes;
- 1.81 “**Transfer Form**” means the written form for the transfer of a Registered Note, in the form approved by the Transfer Secretary, and signed by the transferor and transferee;
- 1.82 “**Wholly Owned Subsidiary**” means a wholly owned subsidiary as defined in Section 1(5) of the Companies Act;
- 1.83 “**ZAR**” means the lawful currency of the Republic of South Africa, being South African Rand, or any successor currency;
- 1.84 “**ZAR-JIBAR-SAFEX**” means the mid-market rate for deposits in ZAR for a period of the Designated Maturity (as indicated in the Applicable Pricing Supplement) which appears on the Reuters Screen SAFEX Page as at 11:00, Johannesburg time on the relevant date; and
- 1.85 “**Zero Coupon Notes**” means Notes which will be offered and sold at a discount to their Nominal Amount or at par and will not bear interest other than in the case of late payment.

## 2. ISSUE

- 2.1 Subject to the prior consent of the Registrar of Banks (to the extent required), Notes may be issued by the Issuer in Tranches pursuant to the Programme. A Tranche of Notes may, together with a further Tranche or Tranches, form a Series of Notes issued under the Programme.
- 2.2 The Noteholders are deemed to have knowledge of, and are entitled to the benefit of, and are subject to, all the provisions of the Applicable Pricing Supplement.
- 2.3 The Applicable Pricing Supplement for each Tranche of Notes is (to the extent relevant) incorporated herein for the purposes of those Notes and supplements these Terms and Conditions. The Applicable Pricing Supplement may specify other terms and conditions

which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of those Notes. Capitalised expressions used in these Terms and Conditions and not herein defined shall bear the meaning assigned to them in the Applicable Pricing Supplement.

- 2.4 Copies of the Applicable Pricing Supplement are available for inspection at the registered office of the Issuer.

### 3. FORM AND DENOMINATION

#### 3.1 General

3.1.1 Listed Notes issued in registered form will be issued in the form of a Global Certificate, which will be deposited with and registered in the name of, and for the account of the CSD's Nominee. An owner of a Beneficial Interest in the Notes represented by the Global Certificate shall be entitled to exchange such Beneficial Interest for an Individual Certificate in accordance with Condition 12.

3.1.2 All payments in relation to the Notes will be made in the Specified Currency.

3.1.3 Each Note shall be a Senior Note or a Subordinated Note, as indicated in the Applicable Pricing Supplement. Any Note may be a Partly Paid Note, Instalment Note or an Exchangeable Note.

3.1.4 Each Note, whether a Senior Note or a Subordinated Note, may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Indexed Interest Note, an Indexed Redemption Amount Note, a Mixed Rate Note or a combination of any of the foregoing or such other types of Note as may be determined by the Issuer, as indicated in the Applicable Pricing Supplement.

3.1.5 Notes will be issued in such denominations as may be determined by the Issuer and as indicated in the Applicable Pricing Supplement. Listed and/or unlisted Notes may be issued under the Programme. Notes which were not originally issued under this Programme may (provided they are amended to be documented in terms of the Programme) be listed under the Programme.

#### 3.2 Registered Notes

Each Tranche of Registered Notes listed on BESA will be issued in the form of a Global Certificate, which will be deposited with and registered in the name of, and for the account of the CSD's Nominee. An owner of a Beneficial Interest in the Notes represented by the Global Certificate shall be entitled to exchange such Beneficial Interest for an Individual Certificate in accordance with Condition 12.

#### 3.3 Bearer Notes and Order Notes

Bearer Notes or Order Notes will be evidenced by Individual Certificates. Bearer Notes or Order Notes, other than Zero Coupon Notes, will have Coupons and (if indicated in the Applicable Pricing Supplement), Talons attached to the Certificate on issue. Instalment Notes which are Bearer Notes or Order Notes will have Receipts attached to the Certificate on issue.

### 4. TITLE

#### 4.1 Registered Notes

4.1.1 Subject to the provisions set out below, title to the Registered Notes will pass upon registration of transfer in the Register.

4.1.2 The Issuer may deem and treat the person reflected in the Register as the holder of any Note as the absolute owner of the Note (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Certificate, without prejudice to the provisions set out in the next succeeding paragraph.



4.1.3 For so long as any of the Notes are represented by a Global Certificate registered in the name of, and held by the CSD's Nominee, each holder of a Beneficial Interest (in which regard any certificate or other document issued by a Participant, as to the nominal amount of such Beneficial Interest in Notes standing to the account of any person shall be prima facie proof of such Beneficial Interest), shall be treated by the Issuer as the Noteholder of such nominal amount of such Notes (represented by such Beneficial Interest) for all purposes, other than with respect to the payment of principal or interest on the Notes. For the purposes of the payment of principal or interest on the Notes, the registered holder of the Notes reflected in the Register shall be treated by the Issuer as the holder of such Notes in accordance with and subject to these Conditions.

4.1.4 Should an Event of Default occur, then for the purposes of pursuing a remedy against the Issuer pursuant to Condition 16, the holder of a Beneficial Interest shall be deemed to be in the same position as a holder of an Individual Certificate whose name was entered in the Register.

#### 4.2 Bearer Notes

Title to Bearer Notes (including rights to Instalment Amounts and/or interest thereon, as applicable) will pass by delivery of the Certificate evidencing such Note or of the Receipt and/or Coupon relating thereto, as the case may be, in accordance with Condition 14.2. The Issuer, the Transfer Secretary and the Paying Agent may deem and treat the Bearer of any such Certificate, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes.

#### 4.3 Order Notes

Title to Order Notes (including rights to Instalment Amounts and/or interest thereon, as applicable) will initially pass by Endorsement and delivery of the Certificate evidencing such Note or of the Receipt and/or Coupon relating thereto, as the case may be, in accordance with Condition 14.3. Any Certificate evidencing an Order Note or such Receipt or Coupon upon which the last Endorsement is an Endorsement in Blank shall be treated as a Bearer Note, for so long as not subject to further Endorsement. The Issuer and the Transfer Secretary may deem and treat the person who from the face of the Certificate, Receipt or Coupon relating to an Order Note appears to be the Payee thereto as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or notice of any previous loss or theft thereof) for all purposes and payment to such person or their Representative shall discharge the Issuer from all liability to the Payee in relation to such Certificate, Receipt or Coupon, as the case may be, even if such Endorsement has been forged or made without authority. Provided the Issuer pays any amount due upon presentation and surrender of a Certificate evidencing an Order Note, or any Receipt or Coupon attached thereto on issue, in good faith, it shall not be incumbent upon the Issuer or the Transfer Secretary to determine or prove that the Endorsement of the Payee making such Endorsement was made by or under the authority of the person whose Endorsement it purports to be.

### 5. STATUS OF SENIOR NOTES

Senior Notes are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain debts required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding.

### 6. STATUS AND CHARACTERISTICS RELATING TO SUBORDINATED NOTES

6.1 Subordinated Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and subordinated obligations of the Issuer, save for those that have been accorded by law preferential rights.

6.2 Subject to applicable law, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound-up 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 (as defined below), 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 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, insolvency or winding-up (other than Subordinated Indebtedness) has been paid or discharged in full.

- 6.3 **“Subordinated Indebtedness”** means any indebtedness of the Issuer, including any guarantee by the Issuer, under which the right of payment of the person(s) entitled thereto is, or is expressed to be, or is required by any present or future agreement of the Issuer to be, subordinated to the rights of all unsubordinated creditors of the Issuer in the event of the dissolution, winding-up or placing into liquidation of the Issuer.
- 6.4 In the case of Subordinated Notes in relation to which this Condition 6.4 is specified in the Applicable Pricing Supplement as being applicable, the Issuer shall be entitled, by notice in writing to the Noteholders (a **“Deferral Notice”**), to defer the due date for payment of any principal or interest in respect of such Notes, and, accordingly, on the giving of such notice, the due date for payment of such principal or interest (the **“Deferred Payment”**) shall be so deferred and the Issuer shall not be obliged to make payment thereof on the date upon which such Deferred Payment would otherwise have become due and payable, and such deferral of payment shall not constitute an Event of Default. The Issuer may not give a Deferral Notice except where the Registrar of Banks has required or requested a Deferred Payment for such period and subject to such conditions as the Registrar of Banks may prescribe. Interest at the Interest Rate will accrue on principal deferred as aforesaid, save that such interest shall only become due and payable at such time as the principal in respect of which it has accrued becomes due and payable as set out hereunder. Promptly upon being satisfied that the Registrar of Banks will not object to the payment of the whole or any part of any Deferred Payment, the Issuer shall give written notice thereof (a **“Payment Notice”**) to the Noteholders and the relevant Deferred Payment (or the appropriate part of it) and any accrued interest as aforesaid shall become due and payable on the fifth Business Day after the date of such Payment Notice. In addition, all Deferred Payments which remain unpaid upon the Issuer being placed into liquidation or being wound-up shall become due and payable upon such occurrence. When more than one Deferred Payment remains unpaid, payment in part thereof shall be made pro rata according to the amounts of such Deferred Payments remaining unpaid and of any accrued interest as aforesaid remaining unpaid.

## 7. INTEREST

### 7.1 Interest on Fixed Rate Notes

Unless otherwise specified in the Applicable Pricing Supplement, six monthly interest on Fixed Rate Notes is payable in arrear on the Fixed Interest Payment Dates.

Each Fixed Rate Note bears interest on its Nominal Amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Fixed Rate of Interest. Such interest shall fall due for payment in arrears on the Fixed Interest Payment Date(s) in each year and on the date of early redemption in accordance with Condition 10 or the Maturity Date, as the case may be, if either such date does not fall on a Fixed Interest Payment Date. The first payment of interest will be made on the Fixed Interest Payment Date next following the Interest Commencement Date.

Unless otherwise specified, the amount of interest payable per Note in respect of each Interest Period shall be calculated by multiplying the applicable Fixed Rate of Interest by the Nominal Amount of such Note amount (or, if it is a Partly Paid Note, the amount paid up) and the product thereof divided by 2, provided that:

- 7.1.1 if an Initial Broken Amount is specified in the Applicable Pricing Supplement, then the first Interest Amount shall equal the Initial Broken Amount specified in the Applicable Pricing Supplement; and

7.1.2 if a Final Broken Amount is specified in the Applicable Pricing Supplement, then the final Interest Amount shall equal the Final Broken Amount.

Save as provided above, if interest is required to be calculated for a period other than a full Interest Period, such interest shall be calculated on the basis of the actual number of days elapsed, divided by 365 (and for the purposes of the foregoing, leap years shall be disregarded).

## 7.2 Interest on Floating Rate Notes

### *General*

Floating Rate Notes will bear interest on such basis as indicated in the Applicable Pricing Supplement which shall either be (i) on such basis of a reference rate appearing on the agreed screen page of a commercial quotation service, or (ii) on such other basis as may be set out in the Applicable Pricing Supplement.

### *Interest Payment Dates*

Each Floating Rate Note bears interest on its Nominal Amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date at the rate equal to the Rate of Interest payable in arrear on the Interest Payment Date(s) in each year specified in the Applicable Pricing Supplement and on the date of early redemption in accordance with Condition 10 or the Maturity Date, as the case may be, if either such date does not fall on a Floating Interest Payment Date.

### *Rate of Interest*

The Rate of Interest payable from time to time in respect of the Floating Rate Notes will be determined in the manner specified in the Applicable Pricing Supplement.

### *Minimum and/or Maximum Rate of Interest*

If the Applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then the Rate of Interest for such Interest Period shall in no event be less than such Minimum Rate of Interest and/or if it specifies a Maximum Rate of Interest for any Interest Period, then the Rate of Interest for such Interest Period shall in no event be greater than such Maximum Rate of Interest.

### *Determination of Rate of Interest and Calculation of Interest Amount*

The Calculation Agent, in the case of Floating Rate Notes will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest and calculate the amount of interest payable in respect of each Note (each an "Interest Amount") for the relevant Interest Period, and the Calculation Agent shall notify the Issuer of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same. Each Interest Amount shall be calculated by applying the Rate of Interest to the Nominal Amount of the Note, multiplying such sum by the applicable Day Count Fraction and rounding the resultant figure to the nearest cent, half a cent being rounded upwards.

"Day Count Fraction" means, in respect of the calculation of an amount of interest for any Interest Period:

- (a) if "1/1" is specified, 1;
- (b) if "Actual/365", "Act/365", "Actual/Actual" or "Act/Act" is specified in the Applicable Pricing Supplement, the actual number of days in the Interest Period in respect of which payment is being made divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365); or
- (c) if "Actual/365 (Fixed)", "Act/365 (Fixed)", "A/365 (Fixed)" or "A/365F" is specified in the Applicable Pricing Supplement, the actual number of days in the Interest Period in respect of which payment is being made divided by 365; or

- (d) if “**Actual/360**”, “**Act/360**” or “**A/360**” is specified in the Applicable Pricing Supplement, the actual number of days in the Interest Period in respect of which payment is being made divided by 360; or
- (e) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the Applicable Pricing Supplement, the number of days in the Interest Period in respect of which payment is being made divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) that last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); or
- (f) if “**30E/360**” or “**Eurobond Basis**” is specified in the Applicable Pricing Supplement, the number of days in the Interest Period in respect of which payment is being made divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Interest Period unless, in the case of the final Interest Period, the Interest Payment Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); or
- (g) such other calculation method as is specified in the Applicable Pricing Supplement.

*Interest Determination, Screen Rate Determination including Fallback Provisions*

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

- (a) if the Relevant Screen Page is available,
  - (i) the offered quotation (if only one quotation appears on the screen page); or
  - (ii) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,
 

(expressed as a percentage per annum) for the Reference Rate which appears on the Relevant Screen Page as at 11.00 a.m. (or as otherwise specified in the Applicable Pricing Supplement) (Johannesburg time) on the Interest Determination Date in question plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations; or
- (b) if the Relevant Screen Page is not available or if, in the case of (i) above, no such offered quotation appears or, in the case of (ii) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph, the Calculation Agent shall request the principal Johannesburg office of each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11.00 a.m. (Johannesburg time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus

(as appropriate) the Margin (if any), all as determined by the Calculation Agent; or

- (c) if the Rate of Interest cannot be determined by applying the provisions of (a) and (b) above, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks offered, at approximately 11.00 a.m. (Johannesburg time) on the relevant Interest Determination Date, deposits in an amount approximately equal to the nominal amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate to prime banks in the Johannesburg inter-bank market plus or minus (as appropriate) the Margin (if any). If fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the Rate of Interest for the relevant Interest Period will be determined by the Calculation Agent as the arithmetic mean (rounded as provided above) of the rates for deposits in an amount approximately equal to the nominal amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, quoted at approximately 11.00 a.m. (Johannesburg time) on the relevant Interest Determination Date, by the Reference Banks plus or minus (as appropriate) the Margin (if any). If the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

**“Reference Banks”** means four leading banks in the South African inter-bank market selected by the Calculation Agent.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Applicable Pricing Supplement as being other than ZAR-JIBAR-SAFEX, the Rate of Interest in respect of such Notes will be determined as provided in the Applicable Pricing Supplement.

Where ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any). For the purposes of this sub-paragraph, **“ISDA Rate”** for an Interest Period means a rate equal to the Floating Rate that would be determined by such agent as is specified in the Applicable Pricing Supplement under an interest rate swap transaction if that agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the most recent ISDA Definitions and under which:

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

For the purposes of the above sub-paragraph **“Floating Rate”**, **“Floating Rate Option”**, **“Designated Maturity”** and **“Reset Date”** have the meanings given to those terms in the ISDA Definitions specified in the Applicable Pricing Supplement.

### *Notification of Rate of Interest and Interest Amount*

The Issuer will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to BESA and the CSD as soon as possible after their determination but in any event no later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to BESA, the CSD and to the Noteholders in accordance with Condition 18.

### *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this sub-paragraph 6.2, by the Calculation Agent shall (in the absence of wilful deceit, bad faith or manifest error) be binding on the Issuer and all Noteholders and in the absence as aforesaid no liability to the Issuer or the Noteholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

### **7.3 Mixed Rate Notes**

The Interest Rate payable from time to time on Mixed Rate Notes shall be the Interest Rate payable on the form of interest bearing Note (be it a Fixed Rate Note, Floating Rate Note or Indexed Note) specified for each respective period, each as specified in the Applicable Pricing Supplement. During each such applicable period, the Interest Rate on the Mixed Rate Notes shall be determined and fall due for payment on the basis that such Mixed Rate Notes are Fixed Rate Notes, Floating Rate Notes or Indexed Notes, as the case may be.

### **7.4 Indexed Notes**

In the case of Indexed Notes, if the Interest Rate or Interest Amount falls to be determined by reference to an index and/or a formula, such rate or amount of interest payable in respect of each Interest Period shall be determined in the manner specified in the Applicable Pricing Supplement. Any interest so accruing shall fall due for payment on the applicable Interest Payment Date(s) in each year and on the date of early redemption in accordance with Condition 10 or the Maturity Date, as the case may be, if either such date does not fall on an Interest Payment Date.

### **7.5 Partly Paid Notes**

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue on the paid-up Nominal Amount of such Notes and otherwise as specified in the Applicable Pricing Supplement.

### **7.6 Accrual of Interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date of its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the Default Rate specified in the Applicable Pricing Supplement until the date on which all amounts due in respect of such Note have been paid, or, in respect of Notes evidenced by a Global Certificate, the date on which the full amount of the moneys payable has been received by the CSD and notice to that effect has been given to Noteholders in accordance with Condition 18.

### **7.7 Business Day Convention**

If any Interest Payment Date (or other date) which is specified in the Applicable Pricing Supplement to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (a) the “**Floating Rate Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day

unless it would thereby fall into the next calendar month, in which event: (i) such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day and (ii) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Period in the Applicable Pricing Supplement after the preceding applicable Interest Payment Date (or other date) has occurred; or

- (b) the “**Following Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (c) the “**Modified Following Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other such date) shall be brought forward to the first preceding Business Day; or
- (d) the “**Preceding Business Day Convention**”, such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day.

## 8. PAYMENTS

### 8.1 Registered Notes

Payments of interest on an Individual Certificate shall be made to the registered holder of such Note, as set forth in the Register on the close of business on the Last Date to Register (as specified in the Applicable Pricing Supplement). In addition to the above, in the case of a final redemption payment, the holder of the Individual Certificate shall be required, on or before the Last Date to Register prior to the Maturity Date, to surrender such Individual Certificate at the offices of the Transfer Secretary.

Payments of interest in respect of a Global Certificate will be made to the CSD, or such other registered holder of the Global Certificate, as shown in the Register on the Last Date to Register and the Issuer will be discharged by proper payment to the registered holder of the Global Certificate in respect of each amount so paid. Each of the persons shown in the records of the CSD and the Participants, as the case may be, shall look solely to the CSD or the Participant, as the case may be, for his share of each payment so made by the Issuer to the registered holder of such Global Certificate(s).

### 8.2 Payments – Bearer Notes

Payments of interest in respect of Bearer Notes will be made to the Bearer only against presentation and surrender by the Bearer or its Representative of the relevant Coupon or (in respect of interest bearing Bearer Notes issued without Coupons) only against presentation by the Bearer or its Representative of the relevant Certificate. Payments of Instalment Amounts in respect of Bearer Notes will be made to the Bearer only following presentation and surrender by the Bearer or its Representative of the relevant Receipt. Payments of the final instalment of principal in respect of Bearer Notes will be made to the Bearer only following presentation and surrender by the Bearer or its Representative of the Certificate evidencing such Bearer Notes. Upon surrender as aforesaid, the Bearer or its Representative shall be required to nominate in writing to the Paying Agent a bank account within the Republic of South Africa (or any Other Banking Jurisdiction specified in the Applicable Pricing Supplement) into which the relevant payment must be made and provide details of its address (being an address within the Republic of South Africa or any other Banking Jurisdiction specified in the Applicable Pricing Supplement).

Payments of interest in respect of Bearer Notes shall be made in accordance with Condition 8.4 only following surrender of the relevant Coupon to the Paying Agent.

Payments of Instalment Amounts in respect of Instalment Notes which are Bearer Notes shall be made by the Issuer in accordance with Condition 8.4 only following surrender of the relevant Receipt to the Issuer. No payment in respect of the final redemption of a Bearer Note shall be made until the later of:

- 8.2.1 the Relevant Date; and

8.2.2 the date on which the Certificate in respect of the Note to be redeemed has been surrendered to the Paying Agent.

Upon final redemption as aforesaid, all unmatured Coupons relating to Bearer Notes (whether or not surrendered with the relevant Certificate) shall become void and no payment shall be made thereafter in respect of them.

### 8.3 **Payments – Order Notes**

Payments of interest in respect of Order Notes will be made to the Payee only following presentation and surrender by the Payee or its Representative of the relevant Coupon. Payments of Instalment Amounts in respect of Order Notes will be made to the Noteholder only following presentation and surrender by the Payee or its Representative of the relevant Receipt. Payments of the final instalment of principal in respect of Order Notes will be made to the Payee only following presentation and surrender by the Payee or its Representative of the Certificate evidencing such Order Notes. Upon presentation and/or surrender as aforesaid, the Payee or its Representative shall be required to nominate in writing to the Paying Agent a bank account within the Republic of South Africa (or any Other Banking Jurisdiction specified in the Applicable Pricing Supplement) into which the relevant payment must be made and provide details of its address (being an address within the Republic of South Africa or any other Banking Jurisdiction specified in the Applicable Pricing Supplement).

Payments of interest in respect of Order Notes shall be made in accordance with Condition 8.4 only following surrender of the relevant Coupon to the Paying Agent.

Payments of Instalment Amounts in respect of Instalment Notes which are Order Notes shall be made by the Issuer in accordance with Condition 8.4 only following surrender of the relevant Receipt to the Issuer. No payment in respect of the final redemption of an Order Note shall be made until the later of:

8.3.1 the Relevant Date; and

8.3.2 the date on which the Certificate in respect of the Note to be redeemed has been surrendered to the Paying Agent.

Upon final redemption as aforesaid, all unmatured Coupons relating to Order Notes (whether or not surrendered with the relevant Certificate) shall become void and no payment shall be made thereafter in respect of them.

### 8.4 **Method of Payment**

Payments will be made by credit or transfer, by means of electronic settlement, to the Noteholder.

If the Issuer is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with the preceding paragraph (whether by reason of strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of labour, Government interference or control or any other cause or contingency beyond the control of the Issuer), the Issuer shall make such payment by cheque (or by such number of cheques as may be required in accordance with applicable banking law and practice) to make payment of any such amounts. Such payments by cheque shall be sent by post to:

8.4.1 the address of the Noteholder of Registered Notes as set forth in the Register or, in the case of joint Noteholders of Registered Notes, the address set forth in the Register of that one of them who is first named in the Register in respect of that Note;

8.4.2 the address nominated by the Bearer or the Payee in respect of Bearer Notes or Order Notes, as the case may be, upon surrender in accordance with Condition 8.2 or 8.3, as the case may be.

Each such cheque shall be made payable to the relevant Noteholder or, in the case of joint Noteholders of Registered Notes, the first one of them named in the Register. Cheques may be posted by ordinary post, provided that neither the Issuer nor the Paying



Agent shall be responsible for any loss in transmission and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all cheques posted in terms of this Condition 8.4.

In the case of joint Noteholders of Registered Notes payment by electronic funds transfer will be made to the account of the Noteholder first named in the Register. Payment by electronic transfer to the Noteholder first named in the Register shall discharge the Issuer of its relevant payment obligations under the Notes.

Payments will be subject in all cases to any fiscal or other laws, directives and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11.

#### **8.5 Payment Day**

If the date for payment of any amount in respect of any Note is not a Business Day, the holder thereof shall not be entitled to payment until the next following Business Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

#### **8.6 Interpretation of Principal and Interest**

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- 8.6.1 any additional amounts which may be payable with respect to principal under Condition 11;
- 8.6.2 the Final Redemption Amount of the Notes or the Early Redemption Amount of the Notes, as the case may be;
- 8.6.3 the Optional Redemption Amount(s) (if any) of the Notes;
- 8.6.4 in relation to Instalment Notes, the Instalment Amounts;
- 8.6.5 in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 10.5.3; and
- 8.6.6 any premium and any other amounts which may be payable by the Issuer under or in respect of the Notes, but excluding for the avoidance of doubt, interest.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 11.

### **9. EXCHANGE OF TALONS**

On or after the Interest Payment Date on which the final Coupon (comprising the Coupon attached to the relevant Certificate relating to the latest Interest Payment Date in respect of that Series of Coupons) matures, but not later than the date for prescription (in accordance with Condition 15) of the Talons which may be exchanged for the respective Coupons, the Talon (if any) attached to the relevant Certificate upon issue, may be surrendered at the specified office of the Issuer in exchange for further Coupons, including (if such further Coupons do not include Coupons to, and including, the final date for the payment of interest due in respect of the Notes to which they pertain) a further Talon, subject to the provisions of Condition 15. Each Talon shall, for the purposes of these Terms and Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon issued relative to such Talon matures.

### **10. REDEMPTION AND PURCHASE**

#### **10.1 At Maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer in the Specified Currency at its Final Redemption Amount specified in, or determined in the manner specified in, the Applicable Pricing Supplement on the Maturity Date.

## 10.2 Redemption for Tax Reasons

Notes may be redeemed at the option of the Issuer, subject to the consent of the Registrar of Banks, to the extent required, at any time (in the case of Notes other than Floating Rate Notes or Indexed Notes or Mixed Rate Notes having an Interest Rate then determined on a floating or indexed basis) or on any Interest Payment Date (in the case of Floating Rate Notes, Indexed Notes or Mixed Rate Notes), on giving not less than 30 nor more than 60 days' notice to the Noteholders prior to such redemption, in accordance with Condition 18 (which notice shall be irrevocable), if the Issuer, immediately prior to the giving of such notice, is of the reasonable opinion that:

10.2.1 as a result of any change in, or amendment to, the laws or regulations of the Republic of South Africa or any political sub-division of, or any authority in, or of, the Republic 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; and

10.2.2 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 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 in whole or in part. A redemption in part may be effected by the Issuer:

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

10.2.4 *mutatis mutandis* in the manner described in Condition 10.3, provided that the references to the giving of notice therein and to the Minimum Redemption Amount and the Higher Redemption Amount therein shall be disregarded for such purposes.

Notes redeemed for tax reasons pursuant to this Condition 10.2 will be redeemed at their Early Redemption Amount referred to in Condition 10.5, 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.

## 10.3 Redemption at the Option of the Issuer

If the Issuer is specified in the Applicable Pricing Supplement as having an option to redeem, the Issuer may, subject to the consent of the Registrar of Banks, to the extent required, having given not less than 15 nor more than 30 days' irrevocable notice to the Noteholders in accordance with Condition 18, redeem all or some of the Notes then Outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the Applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

Any such redemption must be of a Nominal Amount equal to the Minimum Redemption Amount or a Higher Redemption Amount, both as indicated in the Applicable Pricing Supplement.

In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemed Notes**") will be selected individually by lot, in the case of Redeemed Notes represented by Individual Certificates, and in accordance with the rules of CSD, the BESA Settlement Agents and BESA, in the case of Redeemed Notes represented by a Global Certificate, and in each case not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**").

In the case of Redeemed Notes represented by Individual Certificates, a list of the serial numbers of such Redeemed Notes (which shall include, in the case of Redeemed Notes

which are Bearer Notes or Order Notes, the Receipts and/or Coupons) will be published in accordance with Condition 18 not less than 15 days prior to the date fixed for redemption. The aggregate Nominal Amount of Redeemed Notes represented by Individual Certificates shall bear the same proportion to the aggregate Nominal Amount of all Redeemed Notes as the aggregate Nominal Amount of Individual Certificates outstanding bears to the aggregate Nominal Amount of the Notes outstanding, in each case on the Selection Date, provided that such first mentioned Nominal Amount shall, if necessary, be rounded downwards to the nearest integral multiple of the Specified Denomination and the aggregate Nominal Amount of Redeemed Notes represented by a Global Certificate shall be equal to the balance of the Redeemed Notes. No exchange of the relevant Global Certificate will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this subparagraph and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 18 at least five days prior to the Selection Date.

Holders of Redeemable Notes shall surrender the Individual Certificates, together with Receipts and Coupons, if any, representing the Notes in accordance with the provisions of the notice given to them by the Issuer as contemplated above. Where only a portion of the Notes represented by such Individual Certificates, Receipts and Coupons are redeemed, the Transfer Secretary shall deliver new Individual Certificates, Receipts and Coupons to such Noteholders in respect of the balance of the Notes.

#### **10.4 Redemption at the Option of the Senior Noteholders**

If holders of Senior Notes are specified in the Applicable Pricing Supplement as having an option to request the redemption of Notes, such holders may, subject to the consent of the Registrar of Banks, to the extent required, exercise such option in respect of such Notes represented by Individual Certificates by delivering to the Transfer Secretary, in accordance with Condition 18, a duly executed notice (“**Put Notice**”), at least 15 days but not more than 30 days, prior to the Optional Redemption Date.

For redemption in part, the redemption amount specified in such Put Notice in respect of any such Note must be of a principal amount equal to or greater than the Minimum Redemption Amount or equal to or less than the Higher Redemption Amount, each as indicated in the Applicable Pricing Supplement.

The redemption of Notes represented by a Global Certificate shall take place in accordance with the Applicable Procedures.

The Issuer shall proceed to redeem the Notes in respect of which such option has been exercised in accordance with the terms of the Applicable Pricing Supplement, at the Optional Redemption Amount and on the Optional Redemption Date, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

In the event that the redeeming Noteholder is the holder of an Individual Certificate, then such Noteholder shall (attached to the Put Notice) deliver the Individual Certificate, together with Receipts and/or Coupons, if any, to the Transfer Secretary for cancellation. A holder of an Individual Certificate shall in that holder’s Put Notice specify a bank account into which the redemption payment amount is to be paid.

The delivery of Put Notices shall be required to take place during normal office hours of the Issuer and Transfer Secretary. Put Notices shall be available from the specified offices of the Transfer Secretary.

Any Put Notice given by a holder of any Senior Note pursuant to this paragraph shall be irrevocable except where after giving the notice but prior to the due date of redemption an Event of Default shall have occurred and be continuing in which event such Noteholder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this paragraph and instead to declare such Senior Note forthwith due and payable pursuant to Condition 16.

The Issuer shall have no liability to remedy any defects in any Put Notice or bring any such defects to the attention of any Noteholder.

## 10.5 **Early Redemption Amounts**

For the purpose of the Condition 10.2 and Condition 16, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- 10.5.1 in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- 10.5.2 in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price, or determined in the manner specified in, the Applicable Pricing Supplement or, if no such amount or manner is so specified in the Pricing Supplement, at their Nominal Amount; or
- 10.5.3 in the case of Zero Coupon Notes, at an amount (the “**Amortised Face Amount**”) equal to the sum of: (i) the Reference Price; and (ii) the product of the Implied Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable, or such other amount as is provided in the Applicable Pricing Supplement.

Where such calculation is to be made for a period which is not a whole number of years, it shall be calculated on the basis of actual days elapsed divided by 365 or such other calculation basis as may be specified in the Applicable Pricing Supplement.

## 10.6 **Instalment Notes**

Instalment Notes will be redeemed at the Instalment Amounts and on the Instalment Dates. In the case of early redemption in accordance with Conditions 10.2 or 16, the Early Redemption Amount will be determined pursuant to Condition 10.5.

## 10.7 **Partly Paid Notes**

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 10 and the Applicable Pricing Supplement. In the case of early redemption in accordance with Conditions 10.2 or 16, the Early Redemption Amount will be determined pursuant to Condition 10.5.

## 10.8 **Exchangeable Notes**

If the Notes are Exchangeable Notes, they will be redeemed, whether at maturity, early redemption or otherwise in the manner indicated in the Applicable Pricing Supplement. Exchangeable Notes in respect of which Mandatory Exchange is indicated in the Applicable Pricing Supplement as applying, or upon the exercise by the Noteholder of the Noteholder’s Exchange Right (if applicable), will be redeemed by the Issuer delivering to each Noteholder so many of the Exchange Securities as are required in accordance with the Exchange Price. The delivery by the Issuer of the Exchange Securities in the manner set out in the Applicable Pricing Supplement shall constitute the in specie redemption in full of such Notes.

## 10.9 **Purchases**

The Issuer may at any time purchase Notes (including all unmatured Coupons and Receipts) at any price in the open market or otherwise. Such Notes may, subject to applicable law, be held, resold, or, at the option of the Issuer surrendered to the Transfer Secretary for cancellation.

## 10.10 **Cancellation**

All Notes which have been redeemed will forthwith be cancelled. All Notes so cancelled shall be forwarded to the Issuer and cannot be re-issued or resold. Where only a portion of Notes represented by a Certificate are cancelled, the Transfer Secretary shall deliver a Certificate to such Noteholder in respect of the balance of the Notes.

#### 10.11 Late Payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 10 or upon its becoming due and repayable as provided in Condition 16 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 10.5.3 as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of: (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and (ii) 5 days after the date on which the full amount of the moneys payable has been received by the CSD, and notice to that effect has been given to the Noteholder in accordance with Condition 18.

### 11. TAXATION

All payments of principal and interest in respect of the Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the Republic of South Africa or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law.

In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction except that no such additional amounts shall be payable with respect to any Note:

- 11.1 held by or on behalf of a Noteholder, who is liable for such taxes or duties in respect of such Note by reason of his having some connection with the Republic of South Africa other than the mere holding of such Note or the receipt of principal or interest in respect thereof; or
- 11.2 held by or on behalf of a Noteholder who would not be liable or subject to the withholding or deduction by making a declaration of non-residency or other similar claim for exemption to the relevant tax authority (the effect of which is not to require the disclosure of the identity of the relevant Noteholder); or
- 11.3 where such withholding or deduction is in respect of taxes levied or imposed on interest or principal payments only by virtue of the inclusion of such payments in the taxable income (as defined in section 1 of the Income Tax Act, 1962) or taxable capital gain (as defined in paragraph 1 of Schedule 8 to the Income Tax Act, 1962) of any Noteholder; or
- 11.4 more than 30 days after the Relevant Date except to the extent that the Noteholder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day; or
- 11.5 if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of tax defaulters.

Any reference in these Terms and Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under these Terms and Conditions or under any undertakings given in addition to, or in substitution for, these Terms and Conditions.

### 12. CERTIFICATES

- 12.1 Listed Registered Notes will initially be evidenced by a single Global Certificate which will be lodged with the CSD. The CSD's Nominee will be reflected in the Register as the holder of the Global Certificate.
- 12.2 A Beneficial Interest in Notes will be exchangeable for an Individual Certificate if (i) a written request for Notes in definitive form is submitted by the holder of the Beneficial Interest to the relevant Participant not later than 14 days prior to the requested date of such exchange, (ii) the Applicable Procedures for obtaining such a Certificate from the

Transfer Secretary are followed, and (iii) an equivalent number of Notes are transferred in accordance with the provisions of Condition 14 from the CSD's Nominee to the holder of such Beneficial Interest. If only part of the Notes represented by a Global Certificate is exchanged, a new Global Certificate for the balance will be issued and the cancelled Global Certificate will be retained by the Transfer Secretary.

- 12.3 A Noteholder shall be entitled to receive a Certificate evidencing the Notes transferred to that Noteholder within 7 days after registration of that transfer in accordance with Condition 14 (and which will apply *mutatis mutandis* to such Certificate), provided that joint Noteholders will be entitled to receive only one Certificate in respect of that joint holding, and the delivery to one of those Noteholders shall be delivery to all of them.
- 12.4 If a Certificate, Receipt or Coupon is worn out or defaced then, within 14 days of its presentation to the Transfer Secretary, the Transfer Secretary shall cancel that Certificate, Receipt or Coupon and issue a new Certificate, Receipt or Coupon in its place.
- 12.5 If a Certificate, Receipt or Coupon is lost or destroyed then upon proof thereof to the satisfaction of the Transfer Secretary, a new Certificate, Receipt or Coupon in lieu thereof may be issued to the person entitled to that lost or destroyed Certificate, Receipt or Coupon, provided that the Noteholder shall provide the Transfer Secretary and the Issuer with an indemnity and pay any out-of-pocket expenses incurred in connection with the indemnity. The person providing the indemnity and the form of the indemnity shall be to the satisfaction of the Issuer. The new Certificate, Receipt or Coupon shall be issued within 14 days from the date that the conditions for issuing such Certificate Receipt or Coupon have been fulfilled.
- 12.6 An entry as to the issue of a new Certificate, Receipt or Coupon and indemnity (if any) shall be made in the Register (in respect of Registered Notes) upon the date of issue of the new Certificate, Receipt or Coupon.
- 12.7 Certificates, Receipts and Coupons to be provided by the Issuer to Noteholders shall be collected by the Noteholders from the Transfer Secretary.
- 12.8 Certificates, Receipts and Coupons shall be provided where relevant by the Issuer without charge, save as otherwise provided in these Terms and Conditions. Separate costs and expenses relating to the provision of Certificates Receipt or Coupon and/or the transfer of Notes may be levied by other persons, such as a Settlement Agent, under the Applicable Procedures and such costs and expenses shall not be borne by the Issuer. The costs and expenses of delivery of Certificates otherwise than by ordinary post (if any) and, if the Issuer shall so require, taxes or governmental charges or insurance charges that may be imposed in relation to such mode of delivery shall be borne by the Noteholder.

### 13. REGISTER

- 13.1 The Register of Noteholders:
  - 13.1.1 shall be kept at the office of the Issuer or such other person as may be appointed for the time being by the Issuer to maintain the Register;
  - 13.1.2 shall contain the names, addresses and bank account numbers of the registered Noteholders;
  - 13.1.3 shall show the total Nominal Amount of the Notes held by Noteholders;
  - 13.1.4 shall show the dates upon which each of the Noteholders was registered as such;
  - 13.1.5 shall show whether the Notes are Registered Notes, Bearer Notes or Order Notes;
  - 13.1.6 shall show the serial numbers of the Certificates and the dates of issue thereof;

- 13.1.7 shall be open for inspection at all reasonable times during business hours on Business Days by any Noteholder or any person authorised in writing by a Noteholder;
- 13.1.8 shall be closed during the Books Closed Period.
- 13.2 The Transfer Secretary shall alter the Register in respect of any change of name, address or account number of any of the Noteholders of which it is notified.
- 13.3 Except as provided for in these Conditions or as required by law, in respect of Registered Notes, the Issuer will only recognise a Noteholder as the owner of the Notes registered in that Noteholder's name as per the Register;
- 13.4 Except as provided for in these Conditions or as required by law, the Issuer shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Certificate may be subject.

#### 14. TRANSFER OF NOTES

##### 14.1 Registered Notes

Beneficial Interests in Notes registered in the name of the CSD's Nominee or its nominee may be transferred in accordance with the Applicable Procedures. Such transfers will not be recorded in the Register. In order for any transfer of Registered Notes to be effected through the Register and for the transfer to be recognised by the Issuer, each transfer of a Registered Note:

- 14.1.1 must be in writing and in the usual form or in such other form approved by the Transfer Secretary;
- 14.1.2 must be signed by the relevant Noteholder and the transferee, or any authorised representatives of that registered Noteholder or transferee;
- 14.1.3 shall only be in respect of the Specified Denomination of the Note or integral multiples thereof, and consequently the Issuer will not recognise any fraction of the Specified Denomination;
- 14.1.4 must be delivered to the Transfer Secretary together with the Certificate in question for cancellation (if only part of the Notes represented by a Certificate is transferred, a new Certificate for the balance will be issued to the transferor and the cancelled Certificate will be retained by the Transfer Secretary).

The transferor of any Notes represented by a Certificate will be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.

Before any transfer is registered all relevant transfer taxes (if any) must have been paid and such evidence must be furnished as the Transfer Secretary reasonably requires as to the identity and title of the transferor and the transferee.

No transfer will be registered whilst the Register is closed.

If a transfer is registered then the transfer form and cancelled Certificate will be retained by the Transfer Secretary.

In the event of a partial redemption of Notes under Condition 10.3 or 10.4, the Transfer Secretary shall not be required:

- 14.1.5 in terms of Condition 10.3, to register the transfer of any Notes during the period beginning on the tenth day before the date of the partial redemption and ending on the date of the partial redemption (both inclusive); or
- 14.1.6 in terms of Condition 10.4, to register the transfer of any Note, or part of a Note, called for partial redemption.

##### 14.2 Transfer of Bearer Notes

Bearer Notes (including rights to Instalment Amounts and/or interest thereon, as applicable) may be transferred by the delivery of the Certificate evidencing such Bearer Note or the relevant Receipt or Coupon relating thereto, as the case may be. Where the last Endorsement on a Certificate evidencing an Order Note or a Receipt or Coupon

relating thereto is an Endorsement in Blank, then such Certificate, Receipt or Coupon, as the case may be, shall be treated as evidencing a Bearer Note.

#### 14.3 **Transfer of Order Notes**

Order Notes (including rights to Instalment Amounts and/or interest thereon, as applicable) may be transferred by the Endorsement of the Certificate evidencing such Order Note or Receipt or Coupon relating thereto, as the case may be, by the old Payee and the delivery of such Certificate, Receipt or Coupon to the new Payee.

#### 14.4 **Prohibition on stripping**

Where so specified in the Applicable Pricing Supplement, Bearer Notes or Order Notes which are issued with Receipts and/or Coupons attached and which are redeemable at the option of the Issuer and/or Noteholders shall be issued subject to the condition that the relevant Notes (including rights to Instalment Amounts and/or interest thereon, as applicable) may only be transferred to a single transferee at a time and accordingly that the various rights in respect of such Notes may not be stripped and transferred to various transferees at different times.

### 15. **PRESCRIPTION**

The Notes, Receipts and Coupons will become void unless presented for payment of principal within a period of three years after their redemption date, save that claims against the Issuer under any Certificate, Receipt or Coupon constituting a "*bill of exchange or other negotiable instrument*" in accordance with section 11 of the Prescription Act, 1969 will prescribe within a period of six years after their redemption date.

### 16. **EVENTS OF DEFAULT**

#### 16.1 **Senior Notes**

If any one or more of the following events (each an "**Event of Default**") shall have occurred and be continuing:

- 16.1.1 default is made for more than 7 Business Days in the payment of interest or principal in respect of any Senior Notes following the service on the Issuer of a written notice requiring that breach to be remedied; or
- 16.1.2 the Issuer fails to perform or observe any of its obligations under any Senior Notes other than those referred to in Condition 16.1.1 and such failure has continued for the period of 30 days following the service on the Issuer of written notice requiring the same to be remedied; or
- 16.1.3 the Issuer fails to obtain any consent, license, approval or authorisation now or hereafter necessary to enable the Issuer to comply with its obligations under the Programme or any such consent, license, approval or authorisation ceases to remain in full force and effect, resulting in the Issuer being unable to perform any of its obligations under the Notes or the Programme, and such failure or cessation continues for more than 10 Business Days after the Issuer becomes aware of such event;
- 16.1.4 the granting of an order by any competent court or authority for the liquidation, winding-up, dissolution or judicial management of the Issuer, whether provisionally (and not dismissed or withdrawn within 30 days thereof) or finally, or the placing of the Issuer under voluntary liquidation or curatorship, provided that no liquidation, curatorship, winding-up, dissolution or judicial management shall constitute an event of default if (i) the liquidation, winding-up dissolution or judicial management is for purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement within the FirstRand Group; or (ii) the liquidation, winding-up, dissolution or judicial management is for purposes of effecting an amalgamation, merger, demerger, consolidation, reorganisation or other similar arrangement, the terms of which were approved by Extraordinary Resolution of Noteholders before the date of the liquidation, winding-up, dissolution or judicial management,



then any Senior Noteholder may, by written notice to the Issuer at the registered office of the Issuer, effective upon the date of receipt thereof by the Issuer, declare the Senior Note held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 10.5), together with accrued interest (if any) to the date of repayment, or as specified in the Applicable Pricing Supplement, provided that no such action may be taken by a holder of Senior Notes if the Issuer withholds or refuses to make any such payment in order to comply with any law or regulation of the Republic of South Africa or to comply with any order of a court of competent jurisdiction.

## **16.2 Subordinated Notes**

Subject to Condition 6.4, if applicable, if a default is made by the Issuer in relation to Subordinated Notes in the payment of any amount payable in respect of such Notes, and such default continues for 7 Business Days, or if an Event of Default as contemplated in Condition 16.1.4 occurs, any holder of a Subordinated Note may, subject as provided below, at its discretion and without notice, institute such proceedings against the Issuer as it may think fit to enforce the obligations of the Issuer under such Subordinated Notes, provided that the Issuer shall not be obliged, save in the case of the institution of liquidation or winding up proceedings, to pay any sum or sums sooner than the same would otherwise have been payable by it.

In the event of the winding-up or liquidation, whether finally or provisionally, of the Issuer, otherwise than for the purposes of an amalgamation, merger, consolidation or re-organisation not involving liquidation, winding-up or bankruptcy, then any holder of Subordinated Notes issued by FirstRand may by written notice to the registered office of FirstRand, require that the Subordinated Notes are immediately due and repayable at their Early Redemption Amount together with the accrued interest to the date of payment.

## **17. CALCULATION AGENT AND OTHER AGENTS**

Any third party appointed by the Issuer as Calculation Agent, Transfer Secretary or otherwise shall act solely as the agents of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with any Noteholders. The Issuer is entitled to vary or terminate the appointment of such agents and/or appoint additional or other agents and/or approve any change in the specified office through which any agent acts.

## **18. NOTICES**

Notices to holders of Registered Notes shall be valid if mailed to their registered addresses appearing in the Register. Any such notice shall be deemed to have been given on the seventh day after the day on which it is mailed.

In the event of there being any Individual Certificates (whether evidencing Registered Notes, Bearer Notes or Order Notes) in issue, such notices shall be published, not earlier than four days after the date of posting of such notice in terms of this clause (i) in an English language daily newspaper of general circulation in the Republic of South Africa and (ii) and for so long as the Notes are listed on BESA or such other Financial Exchange upon which the Notes are listed, a daily newspaper of general circulation in the city in which BESA or such other Financial Exchange is situated, and any such notices shall be deemed to have been given on the date of first publication.

If any notice is given to holders of Notes represented by a Global Certificate, a copy thereof shall be delivered to BESA, the CSD and the BESA Settlement Agents.

Any notice to the Issuer shall be deemed to have been received by the Issuer, if delivered to the registered office of the Issuer, on the date of delivery, and if sent by registered mail, on the seventh day after the day on which it is sent, together with a certified copy of the relevant Certificate, Coupon or Receipt with the Transfer Secretary. The Issuer may change its registered office upon prior written notice to Noteholders specifying such new registered office.

For so long as any of the Notes are represented by a Global Certificate, notice may be given by any holder of a Beneficial Interest in Notes represented by a Global Certificate to the Issuer via

the relevant Settlement Agent in accordance with the Applicable Procedures, in such manner as the Issuer and the relevant Settlement Agent may approve for this purpose.

#### 19. AMENDMENT OF THESE CONDITIONS

- 19.1 These Conditions set out all the rights and obligations relating to the Notes and, subject to the further provisions of this Condition 19, no addition, variation or consensual cancellation of these Conditions shall be of any force or effect unless reduced to writing and signed by or on behalf of the Issuer and the Noteholders.
- 19.2 No modification of these Terms and Conditions may be effected without the written agreement of the Issuer. The Issuer may effect, without the consent of the relevant Group of Noteholders any modification of the Terms and Conditions which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated, provided that the consent of BESA shall be required where such Notes are listed. Any such modification shall be binding on the relevant Group of Noteholders and any such modification shall be notified to the relevant Group of Noteholders in accordance with Condition 18 as soon as practicable thereafter.
- 19.3 The Issuer may, with the prior sanction of an Extraordinary Resolution of Noteholders or with the prior written consent of Noteholders holding not less than 66⅔% (sixty six and two thirds per cent.) in Nominal Amount of the Notes outstanding from time to time, amend these Conditions, provided that no such amendment shall be of any force or effect unless notice of the intention to make such amendment shall have been given to all Noteholders in terms of Condition 18.

#### 20. MEETINGS OF NOTEHOLDERS

- 20.1 The Issuer may at any time convene a meeting of all Noteholders or holders of any Series of Notes upon at least 21 days' prior written notice to such Noteholders. This notice is required to be given in terms of Condition 18. Such notice shall specify the date, place and time of the meeting to be held, which place shall be in the Republic of South Africa.
- 20.2 Every director or duly appointed representative of the Issuer may attend and speak at a meeting of Noteholders, but shall not be entitled to vote, other than as a proxy or representative of a Noteholder.
- 20.3 Noteholders holding not less than 10% (ten per cent) in Nominal Amount of the outstanding Notes shall be able to request the Issuer to convene a meeting of Noteholders. Should the Issuer fail to requisition such a meeting within 10 days of such a request being received by the Issuer, the Noteholders requesting such a meeting may convene such meeting.
- 20.4 A Noteholder may by an instrument in writing (a "**form of proxy**") signed by the holder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation, appoint any person (a "**proxy**") to act on his or its behalf in connection with any meeting or proposed meeting of the Noteholders.
- 20.5 Any Noteholder which is a corporation may by resolution of its directors or other governing body authorise any person to act as its representative (a "**representative**") in connection with any meeting or proposed meeting of the Noteholders.
- 20.6 Any proxy or representative appointed shall, so long as the appointment remains in force, be deemed for all purposes in connection with any meeting or proposed meeting of the Noteholder specified in the appointment, to be the holder of the Notes to which the appointment relates and the holder of the notes shall be deemed for such purposes not to be the holder.
- 20.7 The chairman of the meeting shall be appointed by the Issuer. The procedures to be followed at the meeting shall be as determined by the chairman subject to the remaining provisions of this Condition 20. Should the Noteholder requisition a meeting, and the Issuer fail to call such a meeting within 10 days of the requisition, then the chairman of

the meeting held at the instance of the Noteholders shall be selected by a majority of Noteholders present in person, by representative or by proxy.

- 20.8 At any such meeting one or more Noteholders present in person, by representative or by proxy, holding in aggregate not less than one third of the Nominal Amount of Notes for the time being outstanding shall form a quorum for the transaction of business. On a poll, each Noteholder present in person or by proxy at the meeting shall have the number of votes equal to the number of Notes, by denomination, held by the Noteholder.

**21. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further Notes having terms and conditions the same as any of the other Notes issued under the Programme or the same in all respects save for the amount and date of the first payment of interest thereon, the Issue Price and the Issue Date, so that the further Notes shall be consolidated to form a single Series with the Outstanding Notes.

**22. GOVERNING LAW**

The Notes and all rights and obligations to the Notes are governed by, and shall be construed in accordance with, the laws of the Republic of South Africa in force from time to time.

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**USE OF PROCEEDS**

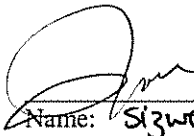
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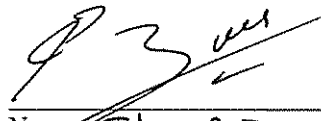
*Words used in this section entitled "Use of Proceeds" shall bear the same meanings as used in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.*

The net proceeds from each issue of Notes will be applied by the Issuer for its general banking purposes or as may otherwise be described in the Applicable Pricing Supplement.

SIGNED at Sandton this 31st day of July 2007.

For and on behalf of  
**FIRSTRAND BANK LIMITED**

  
Name: Sizwe E Nxasana  
Capacity: CEO FirstRand Banking Group  
Who warrants his authority hereto

  
Name: Johan P Burger  
Capacity: CEO FirstRand  
Who warrants his authority hereto

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## DESCRIPTION OF FIRSTRAND BANK LIMITED

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### OVERVIEW

FirstRand Bank Limited (the “Bank”), one of the four leading banks in South Africa (measured by total assets), provides a comprehensive range of retail, commercial, corporate and investment banking services in South Africa. As at 31 March 2007 the Bank was the third largest commercial bank in South Africa measured by total assets (according to statistics published by the SARB (DI900:SARB)). As at 30 June 2006, the Bank had total assets of R379,700 million (R292,411 million as at 30 June 2005). The Bank’s profit attributable to ordinary shareholders amounted to R4,995 million for the year ended 30 June 2006, increasing from R3,119 million as at 30 June 2005.

The Bank operates through divisions which are separately branded and provide distinct banking products and financial services. The Bank’s primary divisions are First National Bank (“FNB”), Rand Merchant Bank (“RMB”) and WesBank. FNB provides retail and corporate banking services, including savings and deposit accounts, credit cards, overdraft facilities, cheque accounts, mortgage finance and loans. FNB currently operates 680 branches and over 4,000 ATMs across South Africa. RMB is the investment banking division of the Bank. It offers specialist services, and takes principal positions, in the fields of corporate finance, structured finance, project finance, private equity and trading markets. WesBank provides instalment credit finance to the retail and corporate market, in particular, finance for motor vehicles, aircraft and industrial plants.

The Bank is indirectly wholly owned by FirstRand Limited (“FirstRand”), a company which is listed in the top 10 companies of the JSE Limited (“JSE”) and the Namibian Stock Exchange by market capitalisation, with a current market capitalisation of R100 billion (US\$ 14 billion) as at 30 June 2006. The FirstRand group of companies, which comprises FirstRand and its subsidiaries (the “Group”), is an integrated financial services group with over 36,000 employees. The Group provides a comprehensive range of financial products and services to the Southern African marketplace and niche products in certain international markets. The Group is structured into three divisions – Banking & Short Term Insurance, Long Term Insurance & Asset Management and Health & Insurance. The Bank is the principal banking operation within the Group’s division.

The Bank holds a full banking licence granted by the Registrar of Banks and is authorised as a financial services provider in South Africa by the Registrar of Financial Services Providers. The Bank is also an authorised dealer in foreign exchange in terms of the Exchange Control Regulations of the SARB. It is a Central Securities Depository Participant in STRATE Limited and is also a full member of The Bond Exchange of South Africa and a member of the JSE.

### HISTORY

The Bank was incorporated and registered in South Africa on 11 January 1929 under registration number 1929/001225/06 under the Companies Act, 1973, as a public company with limited liability.

The Bank’s headquarters and registered address are located at 1st floor, 4 Merchant Place, Cnr Fredman Drive and Rivonia Road, Sandton 2196, South Africa (telephone number: +27 11 282-4000; fax number is +27 11 282 -1699).

Although the Bank was formally incorporated in 1929, the current structure of the Bank is the result of a merger in 1998 of the financial services interests of Rand Merchant Bank Holdings Limited (including RMB) and the Anglo American Corporation (including FNB) which formed FirstRand. Anglo American Corporation had become the majority shareholder of FNB in 1986 when Barclays UK disinvested from South Africa and sold Barclays National Bank which was renamed FNB. FNB and RMB currently operate as divisions of the Bank.

RMB was originally incorporated in 1977 under the name of Rand Consolidated Investments, which specialised in leveraged leasing and off-balance sheet financing (see “RMB - History” below). FNB traces its history back to 1838 with the formation of the Eastern Province Bank in Grahamstown (see “FNB - History” below).

### STRATEGY

#### Strategic Objectives

The Bank seeks to achieve 10% real growth in normalised earnings and a return on equity (“ROE”) at

10% over and above the Bank's weighted average cost of capital ("COC"). In order to achieve that growth, the Bank employs a decentralised operating structure, and it monitors and measures the performance of each division whilst retaining certain overall strategic functions.

#### **Decentralised operating structure**

The Bank is responsible for determining the strategic framework and policies within which each division operates. However, the divisions within the Bank are operated on a de-centralised basis, reflecting the management strategy and culture of the Group as a whole.

Each division operates as a separate and distinct profit centre with its own management team. The management team within each division is therefore responsible for making and implementing strategic decisions within the framework set by the Bank.

In this way, each brand develops differentiated strategies which are appropriate for the particular market which it serves, thereby enabling each to profit from specific market expertise and enhance independent brand growth.

#### **Performance Management**

The Bank's approach to performance management is to maximise the spread between ROE and COC and to measure the performance of each division on its ability to maintain and grow that spread over time.

The Bank monitors the effectiveness of the performance management strategy using two financial targets, namely 10% real growth in normalised earnings and ROE of 10% plus its weighted average COC.

#### **Central Management Functions**

Each of the Bank's divisions has a separate management function, although the Bank takes overall responsibility for certain strategic objectives designed to augment the business as a whole and reduce cyclical earnings volatility. These strategies relate to:

- performance management;
- risk management; and
- balance sheet management.

The Bank's overall strategy is underpinned by four key focus areas: product and channel innovation, collaboration across businesses to create new revenues streams, the establishment of new businesses and the effective allocation of capital.

### **CORPORATE STRUCTURE**

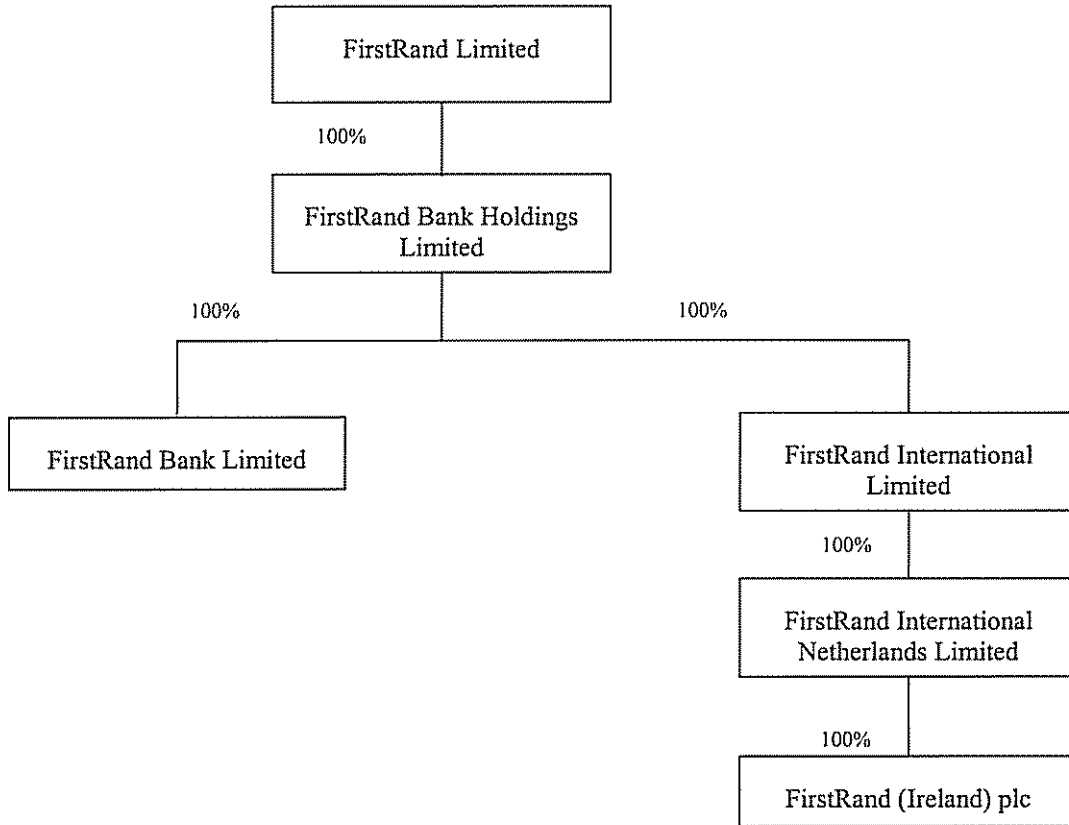
#### **Share capital and ownership**

The Bank is wholly owned by FirstRand Bank Holdings Limited, which, in turn, is wholly owned by FirstRand. The major shareholders of FirstRand are RMB Holding Limited (which holds 29.5% of its share capital), Rembrandt Group (which holds 8.5% of its share capital), Old Mutual Asset Management (which holds 7.3% of its share capital) and FirstRand Empowerment Share Trusts (which holds 5.1% of its share capital).

Banking operations within FirstRand Bank Holdings Limited and its subsidiaries (the "Banking Group") include the activities carried out by the Bank in South Africa as well as other banking operations carried on by the Banking Group primarily outside South Africa.

FNB, RMB and WesBank carry out business activities both within and outside South Africa. Only those activities carried out by FNB, RMB and WesBank within South Africa form part of the operations of, and are aggregated within the financial results of, the Bank. Banking activities carried out by FNB Namibia, FNB Botswana, FNB Swaziland and RMB's offshore operations are aggregated within the financial results of FirstRand Bank Holdings Limited. Unless stated otherwise, references to the operations and financial performances of FNB, RMB and WesBank in this Base Prospectus refer to those operations and financial performance which are consolidated within the financial statements of the Bank.

FirstRand’s corporate structure (although not its subsidiaries, which are set out in “*Subsidiaries and Affiliates*”) is shown in the diagram below:



The Bank is not dependant on any of the other subsidiaries of FirstRand Bank Holdings Limited.

The Bank’s authorised share capital is 2,000,000 ordinary shares of R2 each, 5,000,000,000 redeemable preference shares with a par value of R0.0001 per share, and 100,000,000 non-cumulative non-redeemable preference shares with a par value of R0.01 per share.

The Bank has issued share capital of 1,758,843 ordinary shares with a par value of R2 each, 11,348 redeemable preference shares with a par value of R0.001 per share and 3,000,000 non-cumulative non-redeemable preference shares with a par value of R0.001 per share, all of which are held by FirstRand Bank Holdings Limited.

There are no formal shareholder agreements in place.

**Subsidiaries and affiliates**

The following is a list of the Bank’s subsidiaries:

Active Subsidiaries	% of Shareholding	Nature of Business
Direct Axis SA (Pty) Limited	51%	Direct Axis is a specialist financial services company that provides financial services and products.
FirstAuto (Pty) Limited	75%	Services company that provides comprehensive vehicle fleet management information to customers, comprehensive vehicle fleet management reporting, technical support and fleet management consultancy services, and managed

		maintenance.
First Ingenuity (Pty) Limited	70%	Service contracting company
Ferrobond (Pty) Limited	100%	Money-lending for housing purposes.
Golden Gate Shopping Centre (Pty) Limited	100%	To procure immovable property to construct shopping centres for rental income purposes.
Hawker Management (Pty) Limited	100%	To manage affairs of the FLICAPE Aviation services partnership.
Kingsborough Shopping Centre (Pty) Limited	50%	Kingsborough's purpose is to acquire and develop properties and vacant land.
Midway Development Company (Pty) Limited	100%	Property development company
NAM Investment Company (Pty) Limited	100%	To provide loan finance for working capital and fixed asset financing.
Pentow Marine (Pty) Limited	100%	Finance company for containers
RMB Securities (Pty) Limited	100%	Stock-brokering entity for proprietary trading purposes.
RMB Finance Company (Pty) Limited	50%	Finance company for bank operations.
RMB Global Solutions (Pty) Limited	85%	To provide or arrange trade and financial services and to hold shares in companies providing similar or complimentary services.
Shisa Investments (Pty) Limited	100%	Acquiring and holding securities including, inter-alia, financial instruments, equities, bonds, derivatives, commercial paper ("securities") as well as issuing debt instruments, inter-alia, commercial paper promissory notes and debentures.
<b>Dormant Companies</b>		<b>Nature of Business</b>
Avfin Industrial Finance Company (Pty) Limited	20%	Industrial finance company being deregistered
RMB Ventures One (Pty) Limited	70%	Private Equity vehicle now being deregistered.

The following is a list of the Bank's associate companies:

<b>Associate Companies</b>	<b>% of Shareholding</b>	<b>Nature of Business</b>
Campus Share Block (Pty) Limited	50%	To operate a share block scheme in respect of certain immovable property to be acquired by the company in ownership or by means of long-term leases together with buildings and erections thereon, for so long as



		it is owned or leased by the company and any other properties which the company may acquire or lease in the future.
Infrastructure Finance Corp. Limited	21%	Provides Infrastructure Finance to government and quasi - government
Toyota Financial Services (SA) (Pty) Limited	33%	To provide financial services to dealers and their customers, including without limitation, retail financing and lease programs for new and used vehicles floor plans for vehicle inventory of the dealers, and insurance products related to vehicles. In addition to the foregoing, the financial services shall also include other financial services as shall be determined by the board of directors from time to time
Clinco No 1 (Pty) Limited	45%	To act as a finance company.
Tradestream (Pty) Limited	49%	To provide business-to-business e-commerce trade, treasury and information flow solutions, locally and internationally.

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## BUSINESS OF FIRSTRAND BANK LIMITED

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### OVERVIEW

The Bank provides a comprehensive range of retail, commercial, corporate and investment banking products and services in South Africa through its principal divisions, FNB, WesBank and RMB. Each division is clearly differentiated, having its own strategy, management function and premises.

FNB is the primary contributor to the Bank's income before indirect tax, amounting to R3,926 million, or 56 per cent. of the Bank's total profit before tax for the year ended 30 June 2006 (R3,138 million or 68 per cent. for the year ended 30 June 2005). FNB's total assets of R130,871 million represented 34 per cent. of the Bank's total assets as at 30 June 2006 (R95,118 million and 33 per cent. as at 30 June 2005). RMB contributed R962 million (or 14 per cent. of total income before tax) for the year ended 30 June 2006 (R175 million (or 4 per cent.) for the year ended 30 June 2005) and WesBank contributed R998 million (or 14 per cent. of total income before tax) for the year ended 30 June 2006 (R1,085 million (or 24 per cent.) for the year ended 30 June 2005).

The Bank's net advances for the year ended 30 June 2006 amounted to R258,046 million (an increase of 28 per cent. from the previous financial year), constituting 68 per cent. of the Bank's total assets as at that date (69 per cent. as at 30 June 2005). The growth in advances arose primarily from an increase in gross advances to individuals which amounted to R158,709 million as at 30 June 2006 (an increase of 37 per cent. on the prior financial year).

For the year ended 30 June 2006, the Bank's net interest and similar income before impairments amounted to R9,539 million (R7,286 million for the year ended 30 June 2005) and its non-interest income for the same period amounted to R12,442 million (R9,538 million for the preceding financial year).

### FNB

#### *Overview*

FNB is the commercial banking division of the Bank. It provides retail and corporate banking services in South Africa from 680 branches and over 4,000 ATMs. Its retail banking products and services include savings and deposit accounts, credit cards, overdraft facilities, cheque accounts, mortgage finance and consumer loans. Its corporate banking activities are primarily focused on standard transactional banking products, structured finance and investment products.

FNB's net interest income (after impairment of advances) for the year ended 30 June 2006 amounted to R5,731 million, compared to R4,842 million for the year ended 30 June 2005. Non-interest income for the year ended 30 June 2006 was R7,125 million, compared to R6,326 million for the year ended 30 June 2005. Total assets for the year ended 30 June 2006 amounted to R130,871 million compared to R95,118 million for the year ended 30 June 2005.

The Banking Group conducts business under the FNB brand both within South Africa and in certain other jurisdictions (Namibia, Botswana, Lesotho and Swaziland). Only the business and operations of FNB which are carried out within South Africa are aggregated within the Bank's financial statements.

FNB's overall strategy is to optimise ROE and return on capital rather than to seek to gain market share. In order to achieve this objective, FNB pursues a segmented strategy with each business structured along the following segments: Mass, Consumer (Personal Banking), Wealth, Commercial, Corporate Transactional Banking and Public Sector.

#### *History*

FNB traces its origins back to 1838 with the formation of the Eastern Province Bank in Grahamstown. In 1874, the Eastern Province Bank was purchased by the Oriental Bank Corporation and was subsequently taken over by The Bank of Africa which took over Oriental Bank Corporation's operations in South Africa in 1879. In 1912, it was purchased by the National Bank of South Africa which had been established by the Republic of the Transvaal in 1891. In 1925, the National Bank of South Africa amalgamated with Anglo-Egyptian Bank and the Colonial Bank to form Barclays Bank (Dominion, Colonial and Overseas). From 1971, Barclays South African operation was conducted through a subsidiary called Barclays National Bank Limited. The British parent began reducing its holdings in Barclays National Bank Limited and, eventually, in 1986, sold its remaining shares in the

bank when Barclays disinvested from South Africa. Anglo American Corporation became the majority shareholder and the bank was subsequently renamed First National Bank of South Africa Limited.

In 1998, the financial services interests of Rand Merchant Bank Holdings (which included a shareholding in First National Bank of South Africa) and the Anglo-American Corporation were merged to form FirstRand and FNB became a wholly owned subsidiary of FirstRand. FNB currently operates as a division of the Bank.

### ***Operations***

#### ***Mass Segment***

The Mass Segment is a retail banking segment aimed at individuals with incomes below R81,000 per annum. The focus of this segment is on achieving a higher share of financial services to each client since, at a product level, there is generally lower profitability. Within the mass segment, FNB focuses on achieving efficiency and improved access through the use of technology and innovation, such as cellular technology, mobile ATMs and low option-low cost transactional banking. This segment is primarily serviced by the “FNB Smart” product suite which includes the following products:

*Smart Account:* The FNB Smart Account is a combined savings and transactional account issued with a Visa Electron debit card. Customers can make deposits, withdrawals and payments via the branch network, ATMs, cell-phones, land-line telephones and internet banking channels.

*Mzansi accounts:* The FNB Mzansi Account is an entry level transactional account, aimed at customers that previously had no bank account. It is a basic account issued with a Visa Electron debit card. The Mzansi Account was launched as an interbank (among the four major South African banks: ABSA Bank Limited, Standard Bank of South Africa Limited, Nedbank Limited and the Bank) initiative to offer an entry level account to the 13 million unbanked customers in South Africa.

*SmartSpend – microloans:* Microloans are loans ranging from R1,000 to R10,000 with repayments ranging from 6 months to 36 months. Repayments are made either via payroll deductions or, predominantly, through direct debit order.

*Cellphone banking:* Cellphone banking allows a customer to carry out banking transactions via their handset using SMS, USDD (a menu-based option) and WAP. FNB was the first banking operation in South Africa to introduce this service.

*Transact Products:* these include PrePaid airtime (all operators), prepaid electricity (Eskom and non-Eskom), and eXactmobile credits (used to buy ringtones and contents for cell phones).

*SmartBond & Smart Housing Plan:* This is a housing finance product targeted at South African citizens and permanent residents who wish to buy and transfer properties with a value of R240,000 and below.

FNB also offers insurance products within the Mass Segment under its SmartCover, FNB Funeral Cover and Law-on-Call brands.

#### ***Consumer (Personal Banking) Segment***

Personal banking encompasses the retail segment for customers with earnings between R81,000 and R750,000 per annum and provides banking and insurance products. Personal Banking provides the following product lines, each of which is managed separately:

*Core Banking Solutions:* This product line includes transmission accounts with the option of a cheque book, VISA Electron Card, Optional Cheque and Petrol Card and detailed statements and revolving credit facilities. Customers are able to carry out transactions via cell phone, telephone and on-line banking.

*Card Issuing:* FNB provides a range of wealth and risk based card products.

*First Link:* First Link offers insurance broking products to individuals for personal insurance, commercial insurance to business entities and all forms of agricultural insurance to the farming community.

*eBucks – Rewards program:* “eBucks” is FNB’s rewards programme and has consistently been rated as a top financial services rewards programme in South Africa. The eBucks programme differentiates FNB’s products from others in the market and is an important element in FNB’s profitability.

This segment also provides personal loans, home loans and savings, investment and deposit account

facilities.

#### *Wealth Segment*

The wealth segment is aimed at high net worth and high income individuals with annual incomes in excess of R750,000 per annum or disposable assets greater than R1 million. These clients are serviced through RMB Private Bank and FNB Private Clients. This segment also includes FNB Trust Services which provides trust and estate administration.

The wealth segment's focus is on offering a full range of banking products to its customer base and thereby creating, retaining and leveraging relationships. The suite of products includes wealth and asset management, will drafting and trust services and estate planning and administration.

#### *Commercial Banking Segment*

Commercial banking provides financial services to the mid-corporate and small and medium enterprise customers including working capital, structured finance, investment products, transactional banking and term loans.

The commercial banking segment's products include the following:

- *Transactional banking products:* these products include basic transactional bank accounts, electronic banking, merchant acquiring, overdraft facilities and international banking including trade finance and foreign exchange services.
- *Investment products:* this product range consists of call, fixed, notice deposits and money market accounts.
- *Commercial property finance:* this product range provides finance for owner occupied, residential, development and affordable housing development finance.
- *Debtor finance:* this includes invoice discounting, inventory financing, single invoice discounting and debtor insurance to the FNB Commercial customer base.
- *Leveraged finance:* structured financing solutions for start up companies and expansion financing for businesses unable to qualify for traditional lending due to insufficient collateral and/or equity bases; financing of management buy-outs, management buy-ins, acquisitions and black empowerment financing. FNB Leveraged Finance has structured many Public-Private and other donor organisation partnerships in order to facilitate the financing of transactions previously regarded as un-bankable.

The commercial banking segment also offers agricultural financing and funding for Black Economic Empowerment ("BEE") projects.

#### *Corporate Transactional Banking ("CTB") Segment*

The CTB segment provides transactional banking and direct working capital facilities through current and cash management accounts to the "Large Corporate" sector in South Africa including parastatals and financial institutions. "Large Corporate" is defined for these purposes by FNB as a company that is listed, multi-banked, borrows on an unsecured basis, has its own treasury operations or is a multi-national. The CTB segment offers products including corporate account services (money transmission and management of payments and receipts), bulk cash (which processes bulk cash and cheque transactions on behalf of various customers), issuing, processing and administering store cards for retailers in South Africa, merchant acquiring and international banking.

#### *Public Sector Banking Segment*

The public sector banking segment offers a wide range of products and specialist staff to meet the complex needs of national, provincial and local government and public educational institutions, such as primary transactional bank accounts and multiple operational accounts for the various functions that a municipality is required to perform, revenue consolidation, cash management and short term investment solutions for surplus cash.

#### *Management*

FNB is managed by an advisory board and an executive committee. The FNB executive committee meets twice per month and its members are the Chief Financial Officers of the various segments within FNB – mass, consumer, wealth, corporate, commercial and public sector. Each segment within FNB has its own management board which also meets twice per month and reports to the FNB executive

committee. The FNB executive committee reports to the FNB advisory board which meets once per quarter and which reports to the Board of the Bank. The FNB advisory board has both executive and non-executive members.

## **WesBank**

### *Overview*

WesBank provides instalment credit finance for moveable assets, including motor vehicles, machinery, aircraft and industrial plants for private individuals, professionals and the corporate market. Its main products are vehicle finance, corporate finance, car allowance packages, personal loans, fleet services and credit cards.

WesBank's products are distributed primarily through a direct presence on motor dealership sales floors as well as throughout FNB's national branch network. WesBank also provides telephone and video conference facilities on dealer sales floors for loan applications and internet banking services for personal loans. In addition, WesBank has a staff presence on the floor of many aviation and industrial suppliers in South Africa.

As at and for the year ended 30 June 2006, WesBank's net interest income (after impairment of advances) amounted to R2,229 million and it made total advances of R77,151 million (compared to R1,771 million and R62,789 million, respectively), as at and for the year ended 30 June 2005). Non-interest income for the year ended 30 June 2006 was R336 million, compared to R715 million for the year ended 30 June 2005. The primary sources of non-interest income are insurance commissions, documentation and processing fees, commissions and card fees from the Auto Fleet card business and service fees. Total assets for the year ended 30 June 2006 amounted to R77,560 million compared to R63,529 million for the year ended 30 June 2005.

As at June 2006, WesBank had approximately 601,000 retail accounts, 302,000 personal loan accounts and 46,000 corporate accounts on its books, giving a total number of accounts of approximately 950,000.

### *History and Development*

WesBank's operations can be traced back almost 40 years. In 1968, Western Bank was formed through the merger of Colonial Bank & Trust with Western Credit. Western Bank was acquired by Barclays Bank in 1975. In 1978 the bank became known as WesBank the "Wheels Bank". Barclays disinvestment from South Africa in 1986 saw the Barclays operations being sold to Anglo American Corporation and the bank changing its name to First National Bank. As a result of VAT legislation, WesBank became a division of First National Bank in 1993 and five years later First National Bank, Southern Life, Momentum and Rand Merchant Bank merged to form FirstRand.

WesBank maintained its independence throughout and introduced many changes to maintain its competitiveness. Administration and collections were centralised in 1977 prior to WesBank in 1980 being the first bank in South Africa to place its sales representatives on the motor dealer showroom floor.

In 1991 First National Bank's corporate leasing (First Industrial Bank) and fleet management businesses (First Auto) were incorporated into WesBank.

In the mid 1990's WesBank embarked on a strategy pursuant to which it entered into profit sharing arrangements with motor manufacturers and large dealer groups. Joint ventures were established with Nissan (1996), GMSA (formerly known as Delta) (1996), Fiat (1998), Volkswagen (1999), Investment Cars (1999), Toyota (2000), McCarthy's (1998) Combined Motor Holdings (2001), and Honda (2005).

WesBank won the Government fleet and Government car allowance tenders in 1998 and 1999, respectively, which it has retained to date.

### *Strategy*

The key areas of WesBank's strategy are:

*Customer service:* WesBank is committed to providing a high quality of customer service, which is measured through regular customer satisfaction surveys.

*Distribution channels:* WesBank sources its vehicle finance business primarily through motor dealers with whom it establishes service relationships. Wesbank makes use of a joint alliance strategy amongst selected dealers to ensure critical mass.

*Product innovation:* WesBank seeks to provide innovative value added products to its customers, through its dealer channel. An example of this includes the provision of a variety of car care products, most predominantly window security film, under the brand name MotorOne. WesBank has also invested in a commercial and retail vehicle tracking and information system, branded Skytrax, which was launched in July 2004.

### ***Operations***

WesBank is structured into independent business units based on functionality. WesBank's main business units are Motor, Corporate, Personal Loans, Fleet Services (incorporating WesBank Auto), Head Office and the Customer Relationship Centre.

*WesBank Motor:* WesBank Motor provides vehicle finance to the retail sector. WesBank Motor sources its business primarily through motor dealers and is known as the "dealer bank". Through its dealer strategy, WesBank aims to dominate the point of sale. It makes use of a joint alliance strategy amongst selected dealers to ensure critical mass. WesBank Motor has also established strong relationships with motor manufacturers. These relationships have enabled WesBank to offer vehicle finance and insurance in partnership with the manufacturers trading under the brands of Toyota Financial Services, Nissan Finance, GMSA Financial Services, Fiat Finance, Volkswagen Financial Services, Audi Financial Services, Honda Finance, Peugeot Financial Services and Alfa Romeo Services.

*WesBank Auto:* WesBank Auto is the leading provider of fleet management services and information in South Africa. It currently manages approximately 260,000 units and provides services to more than 11,000 merchants. WesBank Auto looks after the maintenance of fleets and reports on the running costs of each vehicle. Qualified vehicle mechanics offer their customers expert technical service and pertinent fleet related information. As a fleet management division, WesBank Auto pioneered:

- a bank card fleet management system;
- managed maintenance; and
- Auto-net – an internet based online fleet management system.

*WesBank Personal Loans:* WesBank Personal Loans provides personal loans to the middle market (which excludes microloans). Loan applications are made to a central call centre where applications are recorded using paperless voice logging of calls. An important element in the success of the Personal Loans business is its effective marketing of loan affordability.

*WesBank Corporate Division:* The Corporate Division consists of six segments:

- FirstRand Group Banked: for clients that bank with the FirstRand Group.
- FirstRand Group Non-Banked: for clients that do not bank with WesBank or other divisions of the Group.
- Joint Finance Companies: business within this segment is generally generated through alliances with equipment suppliers.
- Public Sector: this segment focuses on providing vehicle and asset finance solutions suitable for public sector clients.
- Fleet Finance: this segment focuses on car allowance providers and offers finance to car allowance receivers
- Aviation Finance: this segment provides specialist aviation finance in the general aviation industry, focusing on small to medium sized aircrafts.

WesBank Corporate specializes in financing all moveable assets such as plant, machinery, aircraft, computers, office equipment and vehicle fleets. In addition to the full range of instalment sales, financial and operating leases, rentals, loans and discounting facilities that WesBank Corporate offers, it also specializes in setting up car allowance schemes for company employees and fleet finance packages. Lines of credit are established for corporate customers, allowing customers optimum flexibility to draw down on these facilities as the need for additional finance arises. WesBank Corporate prides itself in its ability to structure asset finance packages for customers so as to derive optimum benefit from cash flows. It places maximum emphasis on building and maintaining relationships with its customers.

WesBank Joint Finance Companies was formed in 1980 to provide vendor financing facilities for

suppliers of capital equipment in the South African market. In essence, an alliance (in the form of a joint finance company (“JFC”) or a joint venture (“JV”)) is created between the vendor or manufacturer (that is, the industrial partner) of the capital equipment and WesBank. This JFC or JV then serves as the vendor’s in-house finance company for the customer’s instalment credit requirements. The entity will formulate its own trading name and brand. The use of the JFC or JV provides the facilities to obtain equipment, service, spares and finance from one source. This one-stop service is key to securing business and providing a complete customer service package. Industry sectors covered are mainly transport (including trucking, busses and trailers), earth moving, agriculture, construction, materials handling, office equipment, retail stores and aircraft.

**WesBank Head Office:** Head Office is responsible for the risk management function within WesBank (see “*Risk Management*” below). Head Office also provides general management, financial services, human resources, legal, brand and communications, new product development, premises, insurance and systems.

**WesBank Customer Relationship Centre:** The Customer Relationship Centre is responsible for administering advances and performs tasks ranging from change of address, storage of security documentation, customer queries, pre-legal and advanced collections, as well as repossession and remarketing activities.

### ***Management***

WesBank is managed by an advisory board consisting of the CEO, external directors and an executive committee appointed by the Board of the Bank. The advisory board meets 6 times a year and the executive committee meets at least once a month.

## **RMB**

### ***Overview***

RMB is the investment banking division of the Bank. It is a full-service investment bank which delivers services ranging from corporate advisory, debt and equity capital raising, principal investments and structured finance products, management buy-outs and privatisation to public-private partnerships, mergers and acquisitions, and the trading of vanilla and complex financial instruments in local and global markets.

In the PricewaterhouseCoopers South African Banking Survey for 2005 and 2006 (a peer group survey conducted amongst 23 local and foreign banks) RMB was rated, from a product perspective, as top in listings, mergers and acquisitions, structured and project finance, private equity and BEE transactions.

RMB’s non-interest income for the year ended 30 June 2006 was R2,443 million, compared to R1,377 million for the year ended 30 June 2005.

RMB’s profit attributable to ordinary shareholders rose from R112 million as at 30 June 2005 to R704 million as at 30 June 2006. This constituted 14.09 per cent. of the Bank’s total profit attributable to ordinary shareholders for the year ended 30 June 2006 (3.59 per cent. for the year ended 30 June 2005). Total assets for the year ended 30 June 2006 amounted to R113,695 million compared to R83,771 million for the year ended 30 June 2005.

RMB services corporate, institutional and public sector clients across all industries. RMB has enjoyed a dominant advisory and financier position in South Africa in many sectors such as mining and resources, construction, BEE, transport, retail and the public sector.

RMB operates both in South Africa and internationally. In South Africa, RMB operates from offices in Johannesburg, Cape Town, Durban and Port Elizabeth. Internationally, RMB operates through the Group from offices in the United Kingdom, Ireland, the United Arab Emirates, China, Australia and Brazil. Only the business and operations of RMB which are carried out within South Africa are aggregated within the Bank’s financial statements.

### ***History***

RMB was created in 1977 under the name of Rand Consolidated Investments, specialising in leveraged leasing and off-balance sheet financing.

Rand Consolidated Investments and Johan Rupert’s Rand Merchant Bank merged in 1985.

In 1992, RMB acquired Momentum Life (a company listed on the Johannesburg Stock Exchange)

through a reverse takeover. In 1995, RMB took the decision to enter the retail banking market. The opportunity to enter the retail banking market came when Anglo American decided to dispose of its financial services assets, including FNB.

In 1998, the financial services interests of Rand Merchant Bank Holdings (which included a shareholding in First National Bank of South Africa) and the Anglo-American Corporation were merged to form FirstRand and FNB became a wholly owned subsidiary of FirstRand. FNB and RMB currently operate as divisions of the Bank.

### **Operations**

RMB is structured into five major product areas or divisions: Investment Banking, Treasury, Equities Trading, SPJ International and Private Equity.

*Investment Banking:* Investment Banking comprises the majority of RMB's debt and equity structuring businesses. It focuses on servicing leading listed and unlisted corporates across all industries, as well as financial institutions and government organisations.

Within Investment Banking there are a number of industry or product specialist groups:

- *Corporate Finance:* Corporate Finance offers a full range of advisory services, including mergers and acquisitions, capital raising solutions, equity and debt restructuring. The RMB Corporate Finance team has been rated the leading corporate finance team in South Africa in numerous surveys over the past decade.
- *Acquisition and Leveraged Finance:* this product area supplies finance for management buy-outs, leveraged buy-outs and other forms of acquisition finance.
- *Resources Finance:* this segment provides advice and finance in the resource sector of the economy. Resource Finance has enjoyed success amid the recent strong performance in commodity markets and continued BEE activity.
- *Infrastructure Finance:* this product area provides finance for large scale infrastructure projects in South Africa and the rest of Africa including rail, road, ports, telecommunications and water projects. It has led or participated in 10 out of the last 12 recent public-private partnerships in South Africa and is part of the consortium building the Gautrain, a high-speed, rail transport network for Johannesburg and Pretoria.
- *Property and Asset Finance:* RMB is a major asset financier in the South African market, providing finance for a range of assets such as commercial, industrial and retail properties as well as moveable assets such as rolling stock, aeroplanes and port equipment.
- *Debt Capital Markets:* this product area enables RMB's clients to access the local and international capital markets through debt raising and securitisations and was named Best Securitisation Team in The Bond Exchange of South Africa's 2005 and 2006 Spire Awards. RMB has recently become the first South African banking operation to carry out a physical securitisation offshore securing a Aaa Moody's rating for a €200 million issue of notes.
- *Treasury:* Treasury includes the fixed income, currency, credit and commodity trading activities both in South Africa and internationally. Its activities cover market making and execution services for clients, structured solutions, proprietary trading and custodial and agency services.

Within Treasury there are a number of industry or product specialist groups:

- *Debt Capital Market Trading and Solutions:* this group provides a full value-added trading, execution and structuring service to clients for corporate and government bonds, derivatives, inflation linked instruments, options, and interest rate solutions.
- *Foreign Exchange Trading:* this group offers comprehensive foreign exchange trading and execution and structured solutions service to corporate, retail and institutional clients and local and non-resident banks. Focus areas include spot, forwards, options and derivatives across major traded currencies, Rand and other African currencies.
- *Commodities:* this group provides a full range of commodity trading, execution and structuring solutions across the major commodity classes – soft (agricultural) commodities, energy, base and precious metal groups.

*Equities Trading:* Equities trading offers market making and execution services for clients, structured



solutions, proprietary trading and agency services. It services a wide range of financial institutions and its primary activities include:

- Proprietary Trading in local and international equities;
- Equity sales and research, through a joint venture with Morgan Stanley; and
- Agency businesses - scrip lending, futures clearing, and prime broking.

*SPJ International:* This segment specialises in trading in international debt capital markets, both emerging and developed markets. SPJ International conducts trading in the global capital markets business and is based in London.

*Private Equity:* Private Equity focuses on principal investments and leveraged finance. The division operates across a broad spectrum within the private equity arena from holding investments on balance sheet through to investing in other private equity investors or their funds. Unlike large international private equity players RMB does not manage or raise any large third party private equity funds.

#### ***Distribution channels/marketing***

RMB has offices in Port Elizabeth, Durban, and Cape Town as well as its Head Office in Sandton.

#### ***Management structure***

RMB is managed by three Boards, each of which takes responsibility for critical areas of the business within RMB. The Proprietary Board focuses on all of RMB's proprietary investment and trading activities with the overall objective being to manage and optimise risk at a consolidated level. The Operational Board focuses on operational and reputational aspects of the business, from Human Resources and IT to financial management and policy. The Strategic Marketing Board has responsibility for the management of client relationships, strategic marketing and credit across the bank.

## **LOAN PORTFOLIO**

### **Introduction**

As at 30 June 2006, the Bank's total gross advances (net of impairments) amounted to R258,046 million compared to R201,700 million as at 30 June 2005, representing 67.96 per cent. and 68.98 per cent., respectively, of the Bank's total assets as at such dates.

The Bank primarily provides advances to retail customers and 60.75 per cent. of total advances were made to individuals in the year ended 30 June 2006 (56.86 per cent. for the preceding financial year). Home loans constituted the largest category of advance. The Bank made R94,243 million of advances by way of home loans, constituting 36.07 per cent. of total advances (before impairments) as at 30 June 2006 (compared to R66,645 million comprising 32.65 per cent. of total advances (before impairments) as at 30 June 2005).

### **Loan Portfolio structured by category**

The following table sets out the composition of the Bank's advances by category as at 30 June 2006 and 2005:

Category analysis	As at 30 June 2006	Share per centum	As at 30 June 2005	Share per centum
	<i>(R million)</i>			
Overdraft and managed accounts	21 999	8.42	23 634	11.58
Loans to other financial institutions	4 789	1.83	-	-
Card loans	9 380	3.59	6 989	3.42
Instalment sales	41 201	15.77	34 802	17.05
Lease payments receivable	24 994	9.57	18 604	9.12
Property finance	100 821	38.59	70 378	34.49
- Home Loans	94 243	36.07	66 645	32.66
- Commercial property finance	6 578	2.52	3 733	1.83

Personal loans	10 136	3.88	3 947	1.93
Preference share advances	1 061	0.41	654	0.32
Other	35 869	13.73	36 570	17.92
CDO's	161	0.06	182	0.09
Assets under agreement to resell	<u>10 838</u>	4.15	<u>8 303</u>	4.07
<b>NOTIONAL value of advances</b>	<u>261 249</u>		<u>204 063</u>	
<b>TOTAL Net Advances</b>	258 046		201 700	

### Contingent Liabilities

The Bank has commitments and contingent liabilities in respect of, *inter alia*, guarantees and letters of credit on behalf of its customers. The following table sets out details of the Bank's contingencies and commitments as at 30 June 2006 and 2005.

	As at 30 June 2006	Share per centum	As at 30 June 2005	Share per centum
	<i>(R million)</i>			
Guarantees	12 725	20.38	12 828	32.42
Acceptances	6	0.01	5	0.01
Letters of credit	22 366	35.82	12 021	30.38
Irrevocable commitments-original maturity one year or less	<u>27 336</u>	43.78	<u>14 717</u>	37.19
<b>TOTAL contingencies</b>	<u>62 433</u>		<u>39 571</u>	
Legal proceedings	150		150	
Claims	(134)		(134)	
Commitments in respect of capital expenditure and long-term investments approved by directors:				
- Contracted for	479		83	
- Not contracted for	618		486	

These contingencies and liabilities are composed mainly of irrevocable commitments with an original maturity of one year or less (which amount to 43.78% of the total for the year ended 30 June 2006 and 37.19% for the preceding financial year), guarantees (which consist predominantly of endorsement and performance guarantees), letters of credit and acceptances.

### Loan Portfolio Structure by Sector

The following table sets out certain information as to the structure of the Bank's gross loan portfolio by economic sector, as at 30 June 2006 and 2005:

	As at 30 June 2006		As at 30 June 2005	
	(R million)	Share per centum	(R million)	Share per centum
Agriculture	6 204	2.37	4 708	2.31
Banks and financial services	28 953	11.08	25 744	12.62
Building and property development	5 321	2.04	10 420	5.11
Government, Land Bank and public authorities.....	7 485	2.87	5 510	2.70
Individuals	158 709	60.75	116 041	56.87
Manufacturing and commerce	35 288	13.51	23 848	11.69

Mining	921	0.35	3 356	1.64
Transport and communication	6 999	2.68	4 546	2.23
Other services	11 369	4.35	9 890	4.85
	<u>261 249</u>		<u>204 063</u>	
<b>NOTIONAL value of advances</b>				
<b>TOTAL Net Advances</b>	258 046		201 700	

### Currency exposure

Over 96 per cent. of the Bank's total net advances for the years ended 30 June 2006 and 2005 were denominated in Rand.

The following table sets out an analysis of the exposure by currency of the Bank's loan portfolio as at the dates indicated:

	As at 30 June 2006	Share per centum	As at 30 June 2005	Share per centum
	<i>(R million)</i>			
Rand	248 707	96.38	193 790	96.08
UK£	30	0.01	520	0.26
US\$	8 435	3.27	6 290	3.12
Euro	866	0.34	1 072	0.53
Other	8	0.003	28	0.01
	<u>258 046</u>	<u>100</u>	<u>201 700</u>	<u>100</u>

### Geographical concentration of loans

The Bank has a significant geographical concentration of loans issued to borrowers in South Africa. Loans to borrowers in South Africa constituted more than 95 per cent of gross advances for the last two financial years.

The following table sets out a geographical analysis (based on credit risk) of the Bank's gross loan portfolio as at 30 June 2006 and 2005:

	As at 30 June 2006	Share per centum	As at 30 June 2005	Share per centum
	<i>(R million)</i>			
South Africa	250 387	95.84	194 609	95.37
Other Africa	185	0.07	178	0.09
United Kingdom	6 584	2.52	9 205	4.51
Other	4 093	1.57	71	0.03
<b>TOTAL</b>	<u>261 249</u>	<u>100</u>	<u>204 063</u>	<u>100</u>

### MANAGEMENT

The Board of Directors of the Bank (the "Board") is responsible for reviewing and guiding corporate strategy, major plans of action, risk policy, annual budgets and business plans, monitoring corporate performance and overseeing major capital expenditures, acquisitions and disposals.

The Bank has a unitary Board. Its chairman is non-executive, but not independent in terms of the "King II" definition. "King II" is a report on corporate governance in South Africa, published in 2002. It classifies a director as "independent" for these purposes if, among other things, the director has not served in an executive capacity within a company for 3 years prior to appointment. The Board comprises fourteen directors of whom three serve in an executive capacity. Seven of the Board's

directors are independent directors. Non-executive directors comprise individuals of high calibre with diverse backgrounds and expertise.

The Board meets quarterly. Two further meetings are scheduled to approve the annual financial statements and to review strategic plans and the proposed budgets. Additional meetings are convened as and when necessary.

To fulfil their responsibilities, board members have access to accurate, relevant and timely information. Any director may call on the advice and services of the company secretary, who gives guidance on legislative or procedural matters. Directors are also entitled to seek independent professional advice, at the Bank's expense, in support of their duties.

There is a formal transparent Board nomination process. Non-executive directors are appointed, subject to re-appointment and to the Companies Act 1973 provisions relating to removal, and retire by rotation every three years. Re-appointment of non-executive directors is not automatic.

The Board consists of fourteen members elected by the general shareholders' meeting. The current members of the Board and their position within the Board, as well as their position within the board of directors of other members of the Group are set out below:

<u>Name</u>	<u>Position</u>
Gerrit Thomas Ferreira	Chairman of the Board, Chairman of FirstRand and RMB Holdings Limited and Director of Momentum Group Limited, Director of FirstRand Bank Holdings Ltd
Sizwe Nxasana	Chief Executive Officer of the Bank and director of FirstRand Bank Holdings Ltd
Vivian Wade Bartlett	Director of FirstRand, and FirstRand Bank Holdings Ltd
Johan Petrus Burger	Financial Director of the Bank and Chief Financial Officer of FirstRand, Director of FirstRand Bank Holdings Ltd
Laurie Lanser Dippenaar	Chairman of Momentum Group Limited and Discovery Holdings Limited, Director of FirstRand and of RMB Holdings Limited, Director of FirstRand Bank Holdings Ltd. FirstRand STI Holdings Limited and RMB Asset Management Limited
Dennis Martin Faick	Director of FirstRand and RMB Holdings Limited, Director of FirstRand Bank Holdings Ltd
Patrick Maguire Goss	Director of FirstRand and RMB Holdings Limited, Director of FirstRand Bank Holdings Ltd
Paul Kenneth Harris	Chief Executive Officer of FirstRand, Director of RMB Holdings Limited and Momentum Group Limited, Director of FirstRand Bank Holdings Ltd
William Rodger Jardine	Director of FirstRand Bank Holdings Ltd
Ethel Matenge-Sebesho	Director of FirstRand Bank Holdings Ltd
Ronald Keith Store	Director of FirstRand Bank Holdings Ltd
Benedict James Van der Ross	Director of FirstRand and Momentum Group Limited, Director of FirstRand Bank Holdings Ltd and RMB Asset Management Limited
Robert Albert Williams	Director of FirstRand, Director of FirstRand Bank Holdings Ltd
Zyda Rylands	Director of FirstRand Bank Holdings Ltd

The business address of the members of the Board is the Bank's registered office.

The name and certain other information about each of the current members of the Board and their activities are set out below:

Gerrit Thomas Ferreira, BCom, Hons	Mr. Ferreira has been involved in the financial services sector since graduating from the University of Stellenbosch. He started his career at the
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(B&A), MBA

Bank of Johannesburg and was co-founder of Rand Consolidated Investments in 1977. Rand Consolidated Investments acquired control of RMB in 1985, and he was managing director of RMB from 1985 to 1988. In 1989 he was elected as executive chairman. When RMB Holdings was founded, he was appointed chairman. He is a member of the Council of the University of Stellenbosch and also a member of the Board of the Open Society of South Africa.

*Directorships – FirstRand, FirstRand Bank Holdings Ltd – Chairman, Glenrand MIB Limited, Momentum Group Limited, RMB Holdings Limited – Chairman*

Laurie Lanser  
Dippenaar, MCom,  
CA(SA)

Mr. Dippenaar graduated from Pretoria University, qualified as a Chartered Accountant with Aiken & Carter (now KPMG) and worked with the Industrial Development Corporation before becoming co-founder of Rand Consolidated Investments (RCI). RCI acquired control of RMB in 1985, and he became an executive director. He was appointed managing director in 1988, which is a position held until 1992 when RMB Holdings Limited acquired a controlling interest in Momentum Life Assurers. He was appointed as executive chairman of that company, a post he occupied until becoming chief executive officer of FirstRand in 1998. In December 2005 he moved to a non-executive position in the Group.

*Directorships – FirstRand, Discovery Holdings Limited – Chairman, FirstRand Bank Holdings Ltd, Momentum Group Limited – Chairman, FirstRand STI Holdings Limited – Chairman, RMB Asset Management Limited, RMB Holdings Limited*

Sizwe Nxasana,  
BCompt, CA(SA)

Mr. Nxasana is a Chartered Accountant and Bachelor of Commerce (University of Fort Hare). He started his career at Unilever and Price Waterhouse and in 1989 established Sizwe & Co, the first black-owned audit practice in South Africa. In 1996 he became the founding partner of Nkonki Sizwe Ntsaluba, the first black-owned national firm of accountants in South Africa and was national managing partner until 1998 when he joined Telkom SA as Chief Executive Officer. He joined the Bank as CEO in January 2006.

*Directorships – FirstRand, FirstRand Bank Holdings Ltd – CEO / Zenex Trust*

Paul Kenneth Harris,  
MCom

Mr Harris graduated from the University of Stellenbosch and joined the Industrial Development Corporation. He was a cofounder of RCI in 1977. RCI acquired control of RMB in 1985 and he became an executive director. He spent four years in Australia where he founded Australian Gilt Securities (later to become RMB Australia) and returned to South Africa in 1991 as deputy managing director of RMB. In 1992, he took over as chief executive officer. Subsequent to the formation of FirstRand, he was appointed chief executive officer of FirstRand Bank Holdings Ltd in 1999, a position he held until December 2005 when he was appointed chief executive officer of FirstRand.

*Directorships – FirstRand, FirstRand Bank Holdings Limited / Momentum Group Limited, Remgro Limited / RMB Holdings*

Johan Petrus Burger,  
BCom(Hons), CA(SA)

Mr. Burger is a Chartered Accountant and joined RMB in 1986. During the initial period at RMB, he held the position as CFO of the Treasury Division. He was appointed Financial Director of RMB in 1995 with responsibility for finance, taxation, credit, risk management and internal audit. During 1998, he served as Chairman of the Executive Committee of RMB. Since the restructuring of FirstRand banking operations in February 1999, Mr Burger has had responsibility as Financial Director of the banking group for FirstRand banking finance, risk management, internal audit, credit, taxation, development of performance/profit model for the banking group and the

Group secretarial office.

*Directorships – Discovery Holdings Limited/ FirstRand Bank Holdings Limited / Momentum Group Limited*

William Rodger  
Jardine:  
BSc, MSc

Mr. Jardine is CEO of Kagiso Media, a JSE-listed media company with interests in radio, specialist publishing and exhibitions. He is also an Executive Director of Kagiso Trust Investments. Mr. Jardine is a director of several companies.

He serves as Chairman of the CSIR and OZZ (Pty) Limited. He is a director of FirstRand Bank Ltd and Bytes Technology Group SA (Pty) Limited. He is also a director of Natal Sharks (Pty) Limited

Jardine is a former Director General of the Department of Arts, Culture, Science and Technology.

He is a trained physicist and obtained a Bachelor of science (BSc) and a Master of Science (MSc) degree from Haverford College, Pennsylvania (United States).

Ronald Keith Store

Mr. Store joined Deloitte in 1960 and qualified as a Chartered Accountant in 1964. He was appointed a partner in 1973. A specialist in financial institutions and the banking industry, he founded the firm's Financial Institutions Services Team in 1986 and served as Partner in charge for fifteen years. Mr. Store has consulted to most South Africa Banks and also to the World Bank.

Mr. Store was elected to the Board of Deloitte in 1995 and was the non-executive chairman from 2001 until 2006. He was also a member of the Global Board of Deloitte Touche Tohmatsu and has served on the Global Governance Committee.

Mr. Store was a founder member of the Banking Interest Group of the South African Institute of Chartered Accountants (SAICA) and served as its first chairman. He is currently a member of the Policy Board for Financial Regulation and was a member of the Standing Committee for the Revision of the Banks Act. He convenes and lectures on financial regulation for University of Johannesburg, where he holds a part time professorship.

In 2002 Mr. Store was appointed as an exclusive advisor to the Banking Supervision Department of the SARB. In March 2007, Mr. Store was appointed Chairman of the Audit Committee of the Bank.

*Chairman of the Board of Deloitte (South Africa), director of FirstRand Bank Holdings Ltd*

Vivian Wade Bartlett,  
AMP (Harvard),  
FIBSA

Mr. Bartlett started his career with Barclays Bank DCO South Africa, which subsequently became First National Bank of Southern Africa in 1987. After some four years of overseas secondments, he returned to South Africa in 1992 where he served as general manager and managing director in various group companies until being appointed as group managing director and chief executive officer of First National Bank of Southern Africa in 1996. In 1998, he was appointed deputy chief executive officer of the Bank, a position he held until his retirement in 2004.

*Directorships – FirstRand, CEMEA Regional Visa International – Chairman/ FirstRand Bank Holdings Ltd/Makalani Holdings Limited – Chairman/ FirstRand STI Holdings Limited/Visa International*

Denis Martin Falck,  
CA(SA)

Mr. Falck left the auditing profession in 1971 to join the Rembrandt Group. He was appointed group financial director in 1990 and currently holds the same position on the board of Remgro.

*Directorships – FirstRand, FirstRand Bank Holdings, Remgro Limited, RMB*

*Holdings Limited, Trans Hex Group*

Patrick Maguire Goss,  
BEcon (Hons),  
BAccSc (Hons),  
CA(SA)

Mr. Goss, after graduating from the University of Stellenbosch, served as President of the Association of Economics and Commerce Students ("AIESEC"), representing South Africa at The Hague and Basle. He thereafter qualified as a Chartered Accountant with Ernst and Young and then joined the Industrial Development Corporation where he worked for two years. A former chairman of the Natal Parks Board, his family interests include Umngazi River.

*Directorships – FirstRand, AVI Limited, FirstRand Bank Holdings Ltd, Lewa Wildlife Conservancy (Kenya), RMB Holdings Limited*

Benedict James van  
der Ross, Dip Law  
(UCT)

Mr. van der Ross has a diploma in Law from the University of Cape Town and was admitted to the Cape Side Bar as an attorney and conveyancer. Thereafter he practiced for his own account for 16 years. He became an executive director with the Urban Foundation for five years up to 1990 and thereafter of the Independent Development Trust where he was deputy chief executive officer from 1995 to 1998. He acted as chief executive officer of the South African Rail Commuter Corporation from 2001 to 2003 and as chief executive officer of Business South Africa from 2003 to 2004. He was appointed to the board of The Southern Life Association in 1986.

*Directorships – FirstRand, FirstRand Bank Holdings Ltd, Lewis Stores Limited, Makalani Holdings Limited, Momentum Group Limited, Nasionale Pers Limited, Pick 'n Pay Stores Limited, RMB Asset Management Limited–Chairman, Strategic Real Estate Management – Chairman*

Robert Albert  
Williams, BA, LLB

Mr. Williams qualified at the University of Cape Town and joined Barlows Manufacturing Company where he became the managing director in 1979. In 1983, he was appointed chief executive officer of Tiger Brands and in 1985 he was appointed chairman of CG Smith Foods and Tiger Brands. Following the unbundling of CG Smith, he remained chairman of Tiger Brands until 2005. He is currently chairman of Illovo Sugar Limited.

*Directorships – FirstRand, FirstRand Bank Holdings Limited, Illovo Sugar Limited–Chairman Nampak Limited, Oceana Group Limited, Pescanova*

Ethel Matenge-  
Sebesho

Mrs. Matenge-Sebesho was appointed to the Board of Directors on 28 August 2006.

She has 19 years experience working in different roles within the banking sector in South Africa.

*Directorships- Member of the Board of Directors of Oikocredit, an international development co-operative society based in The Netherlands and Director of FirstRand Bank Holdings Ltd. She is also the Chairman of its Finance and Planning Committee; Chairman of the Board of Directors of the Women's Development Banking and Micro Finance; Trustee of FinMark Trust; Member of the Board of Directors of Advantage Asset Managers as a representative of WBD Investment Holdings.*

Zyda Rylands, B. Com  
(Hons), CA (SA)

Ms Rylands was appointed to the Board of Directors on 8 May 2007.

She is a chartered accountant with 11 years experience working in different roles within company management in South Africa.

*Directorships – Executive Director at Woolworths; Non executive Director and Treasurer at the Trauma Centre for Survivors of Violence and Torture; Chairperson of the Audit and Remuneration Committee of the Centre for Justice and Crime Prevention; Deputy chairperson and Chairperson of the Audit and Remuneration Committee of the Open Society Foundation for South Africa; Non-executive Director of the National Urban Reconstruction*

*and Housing Agency (NURCHA); Director of various unlisted Investment holding companies; Director of FirstRand Bank Holdings Ltd*

Additionally, the Bank has a company secretary, who is suitably qualified and was appointed by the Board in 1998. He is, *inter alia*, responsible for the duties stipulated in section 268G of the Companies Act.

### **Conflicts of Interest**

Certain directors and executive officers of the Bank serve as directors and executive officers of the Bank's affiliates (including FirstRand Bank Holdings Limited and other companies within the Group). The Bank engages in transactions with some of these affiliates, including transactions in the ordinary course of business. See "*Related Party Transactions*".

All of the directors of the Bank (excluding Mr. Burger, Mr. Jardine, Mrs. Matenge-Sebesho, Ms Ryland and Mr. Store) are also directors of the Bank's ultimate parent company, FirstRand, and they therefore also owe duties in that capacity to FirstRand as well as to the Bank. It is possible that the duties which these directors owe to FirstRand may potentially conflict with their duties to the Bank.

All the directors of the Bank are also directors of the Bank's parent company, FirstRand Bank Holdings Limited, and they therefore also owe duties in that capacity to FirstRand Bank Holdings Limited as well as to the Bank. It is possible that the duties which these directors owe to FirstRand Bank Holdings Limited may potentially conflict with their duties to the Bank.

In respect of potential conflicts of interest that may arise in the future, the Bank has processes for the management of such conflicts such that it does not expect that any actual conflict of interest would arise.

Other than as described above, there is no potential conflict of interests between any duties which the members of the Board of Directors owe to the Bank and their private interests or other duties.

### **Bank's Committees**

The Bank also has the following committees:

#### ***Audit Committee***

The current members of the Audit Committee are as follows:

<b>Name</b>	<b>Position</b>
Ronald Keith Store	Chairman
Vivian Wade Bartlett	Member
Dennis Martin Falck	Member
Ethel Matenge-Sebesho	Member
Roger Albert Williams	Member

The Audit Committee is responsible for considering the annual financial statements for approval by the Board, and monitoring the quality of the internal controls and processes of the Bank and the implementation of corrective actions. The committee meets quarterly.

#### ***Risk Committee***

The current members of the Risk Committee are as follows:

<b>Name</b>	<b>Position</b>
Ronald Keith Store	Chairman
Dennis Martin Falck	Member
Roger Albert Williams	Member

The Risk Committee is responsible for approving the risk management policy, standards and processes, monitoring the Bank's risk assessments and the effectiveness of risk management and high priority corrective actions. The committee meets quarterly.



### ***Remuneration Committee***

The current members of the Remuneration Committee are:

<b>Name</b>	<b>Position</b>
Patrick Maguire Goss	Chairman
Vivian Wallace Bartlett	Member
Paul Kenneth Harris	Member
Gerrit Ferreira	Member
Benedict James Van der Ross	Member
Roger Albert Williams	Member

The primary objective of the Remuneration Committee is to develop the reward strategy for the Bank. It is responsible for:

- evaluating the performance of executive directors;
- recommending remuneration packages for executive directors and senior management, including, but not limited to, basic salary, benefits in kind, performance based incentives, pension and other benefits;
- recommending policy relating to the Group's bonus and share incentive schemes;
- recommending the basis for non-executive directors' fees; and
- reviewing annual salary increases.

### ***Large Exposures Credit Committee***

The current members of the Large Exposures Credit Committee are:

<b>Name</b>	<b>Position</b>
Ronald Keith Store	Chairman
Vivian Wade Bartlett	Member
Johan Petrus Burger	Member
Sizwe Nxasana	Member
Roger Jardine	Member
Benedict James Van der Ross	Member

The Large Exposures Credit Committee of the Bank is responsible for approving credit exposures in excess of 10% of the Bank's capital. The committee meets quarterly.

### ***Director's Affairs and Governance Committee***

The current members of the Director's Affairs and Governance Committee are:

<b>Name</b>	<b>Position</b>
Rodger Jardine	Chairman
Vivian Wade Bartlett	Member
Laurie Lanser Dippenaar	Member
Gerrit Thomas Ferreira	Member
Patrick Maguire Goss	Member
Dennis Martin Falck	Member
Ethel Matenge-Sebesho	Member
Ronald Keith Store	Member

Benedict James van der Ross	Member
Roger Albert Williams	Member
Zyda Rylands	Member

The objective of this committee is to assist the Board in discharging its responsibilities relative to corporate governance structures, matters relating to performance and remuneration of directors, the appointment of new directors, the effectiveness of the board and succession planning at executive level. The committee meets quarterly.

## EMPLOYEES

As at 30 June 2006 the Bank had approximately 29,734 employees, compared to 29,021 as at 30 June 2005. To date, the Bank has not experienced industrial action or other work stoppages resulting from labour disputes.

The table below sets out the approximate number of employees within each of FNB, WesBank and RMB at the dates indicated:

Division of the Bank	31 December 2005	31 December 2006
FNB	23,529	24,247
WesBank	3,118	3,282
RMB	869	969

## COMPETITION

In South Africa, there are currently 13 registered banks with local control, 6 registered banks with foreign control, 14 branches of foreign banks, 2 mutual banks and 30 representative offices of foreign banks. As at 31 March 2007, the South African banking sector had total assets of R2.2 trillion according to statistics published by the SARB (DI900 January 2007).

In addition to the Bank, the largest banks in South Africa (and the Bank's principal competitors) are Absa Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited. The following table sets out total assets and capital and reserves for each:

	Total Assets	Capital and Reserves
	<i>(R billion)</i>	
Absa Bank Limited	4.8	39.7
FirstRand Bank Limited	4.1	33.3
Nedbank Limited	3.9	36.0
The Standard Bank of South Africa Limited	5.5	37.3

(Source: SARB DI900 March 2007)

The Bank's principal competitors also include Investec Bank Limited as well as the local operations of international banks.

## CAPITAL ADEQUACY

The Bank is subject to regulatory capital requirements. The capital adequacy of the Bank is measured in terms of the Banks Act. The Banks Act requires the Bank to maintain a minimum level of capital based on the Bank's risk weighted assets and off-balance sheet exposures. The Bank is also required to comply with SARB exchange control regulations.

The Bank's capital management policy is contained in the FirstRand Capital Management Framework which is approved by the Board. The Bank seeks to maintain total capital and Tier 1 capital in excess of the minimum requirements of the SARB. The Capital Management Framework requires the Bank to be capitalised at the higher of economic or regulatory capital (inclusive of a buffer to allow for

expansion and volatility). Economic capital is defined as the capital which the Bank must hold, commensurate with its risk profile under severe stress conditions, to give comfort to third party stakeholders (shareholders, counterparties and depositors, rating agencies and regulators) that it will be able to discharge its obligations to third parties in accordance with an indicated degree of certainty even under stress conditions, and will continue to be able to operate as a going concern. The “bottom-up” statistical economic capital calculation is done at a 99.9% confidence interval. The Bank’s target range is to maintain capital adequacy ratios of 11% - 11.5%. For the year ended 30 June 2006, the Bank’s capital adequacy ratio was 12% (11.1% as at 30 June 2005).

The Bank monitors its capital adequacy position closely. Significant growth in risk-weighted assets for the year ended 30 June 2006 was counterbalanced by a strong growth in earnings, active balance sheet management and the issuance of subordinated debt instruments in the South African market.

The following table sets out the Bank’s regulatory capital position and risk weighted assets as at 30 June 2006 and 30 June 2005.

	2006	2005
	<i>(R million)</i>	
<b>Regulatory capital</b>		
<b>Tier 1</b>	16,507	12,956
Share capital	376	4
Share premium	3,372	3,000
Non-redeemable non-cumulative preference shares.....	2,000	3,000
Reserves	10,341	9,961
Less: Impairments	(582)	(2,621)
<b>Tier 2</b>	9,026	5,323
Subordinated debt instruments	6,867	3,503
Qualifying provisions	2,159	1,820
<b>Total regulatory capital</b>	<u>25,533</u>	<u>18,279</u>
<b>Capital adequacy ratios</b>		
Tier 1	7.7%	7.9%
Tier 2	4.2%	3.2%
<b>Total</b>	<u>12.0%</u>	<u>11.1%</u>

#### Calculation of Risk Weighted Assets

	2006	2005	Risk weighting	Risk weighted assets	
				2006	2005
<b>Banking book</b>	670,474	496,781		210,175	160,924
Cash, own bank and central government advances ....	123,525	73,259	0%		
Central Securities Depository Participation	268,011	205,267	0%		
Public sector body advances and letters of credit.....	576	2,185	5% - 10%	42	204
Other bank advances and letters of credit	24,021	27,437	20%	4,804	5,487
Mortgage advances, remittances in transit and performance related guarantees	98,026	66,799	50%	49,013	33,399
Other advances and lending related guarantees.....	149,806	117,175	100%	149,806	117,175
Counterparty risk exposure	7,310	4,659	1000%	7,310	4,659

<b>Trading book</b>	3,382	3,385		3,382	3,385
Position risk	2,336	2,400	100%	2,336	2,400
Counterparty risks exposure	955	972	100%	955	972
Large exposures	91	13	100%	91	13
	673,856	500,166		213,557	164,309

## Basel II

Basel II will be operational in South Africa from 1 January 2008, with a parallel run during 2007. Under the Basel II regime, the Bank's regulatory capital requirements will be determined based on the risk sensitive measurement approaches of Basel II.

The Bank has progressed well with the implementation of the requirements of Basel II. It has performed a number of impact assessments on capital levels and operational processes. As indicated in the June 2005 annual report, the intention is to implement the advanced internal ratings based approach for credit risk for the material portfolios in the Bank. The standardised approach for credit risk will be implemented in the international and African subsidiaries. For operational risk, the standardised or alternative standardised approach will be implemented for the Bank, with the intention to migrate to the advanced measurement approach during 2009. The international and African subsidiaries will also implement the standardised or alternative standardised approach for operational risk.

## LEGAL PROCEEDINGS

The Bank has been, and continues to be, the subject of legal proceedings and adjudications from time to time.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank is aware), which may have during the 12 months prior to the date of this Base Prospectus, or have had in the recent past, a significant effect on the financial position or profitability of the Bank.

There are a number of legal or potential claims against the Bank, the outcome of which cannot at present be foreseen. These claims are not regarded by management as material either on an individual or collective basis.

## PROPERTY

As at 30 June 2006, the Bank held the freehold title to land and buildings to the value of R879 million and leasehold title to properties with a net book value the value of R348 million compared to R972 million and R247 million respectively as at 30 June 2005. (Note that properties are carried at cost less amortisation.)

## INSURANCE

The Bank has a comprehensive insurance programme with cover for bankers bond, computer crime, professional indemnity, directors and officers liability, assets and liabilities. An annual benchmarking review of policy wordings, covers and limits ensures that the level of risk mitigation is adequate in relation to the Bank's risk profile.

All cover is placed at Group level to maximise on economies of scale and to ensure all divisions are included.

## IT/TECHNOLOGY

Information technology is an integral part of the Bank's operations. The Bank is continually seeking to improve the operating features and security of its IT systems, in particular for new technologies to support and enhance its business strategies.

Information risk management within the Banking Group not only involves securing bank information and systems, but also entails the application of risk management principles to ensure efficient, reliable and timely delivery of information.

The following table sets out the expenses incurred by the Bank in connection with Information

## Technology for the year ended 30 June 2006 and 30 June 2005.

	R million		R million	
	As at 30 June 2006	Share per centum	As at 30 June 2005	Share per centum
Computer expenses				
-licencing fees	77.4		56.7	
- other	<u>356.8</u>		<u>252.1</u>	
	<u>434.2</u>	52.1%	<u>308.8</u>	50.1%
Depreciation of computer equipment	378.9	45.4%	292.0	47.4%
Amortisation of development costs	2.0	0.2%	1.3	0.2%
Amortisation of software	<u>18.9</u>	2.3%	<u>14.2</u>	2.3%
	<u>834.0</u>		<u>616.3</u>	

## FUNDING

### Introduction

The Bank's primary funding objective is to secure funding at an optimal cost from diversified and sustainable funding sources. The Bank's funding policies are set out in the Liquidity Risk Framework which is approved by the Board. The implementation of the Liquidity Risk Framework is the responsibility of the Balance Sheet Management team, a Head Office function (group support) which carries out group related treasury functions. The Liquidity Risk Framework aims to ensure that the Bank has sufficiently diversified funding sources to meet obligations when they fall due, as well as the ability to fund ongoing lending and trading activity under increasing levels of stress at a minimum acceptable level of cost.

The Liquidity Risk Framework seeks to achieve this by ensuring:

- an appropriate mix of deposit funding in terms of both source and term structure;
- sufficient callable or near term maturity assets in relation to maturing deposits;
- sufficient saleable assets such as marketable securities which are not encumbered in any way;
- sufficient on-balance sheet assets that are earmarked for securitisation, as well as the operational capability to tap the capital market on a regular basis; and
- proactive management of all off-balance sheet sources of liquidity risk.

The Bank's principal funding strategy is to achieve as far as possible a strong market share in retail, commercial and corporate deposits as these deposits represent the most cost effective source of funding for the Bank. The Bank also seeks to fund asset growth through debt issuance on the capital markets and has established a range of debt issuance programmes to ensure maximum efficiency and flexibility in accessing funding opportunities.

### Deposits

The following table sets out the Bank's deposit and current accounts for the years ended 30 June 2006 and 2005.

(R Million)	At as 30 June 2006			At as 30 June 2005		
	At amortised cost	Fair value	Total	At amortised cost	Fair value	Total
<b>From banks and financial institutions</b>	3 021	6 297	9 318	-	18 784	18 874
In the normal course of business	3 021	2 745	5 766	-	5 896	5 896
Under repurchase agreements	-	3 552	3 552	-	12 888	12 888
<b>From customers</b>	147 138	44 714	191 852	101 538	34 887	136 425
Current accounts	102 751	468	103 219	43 207	2 562	45 769
Savings accounts	1 841	-	1 841	1 776	-	1 776
Term deposits	42 546	44 246	86 792	56 555	32 325	88 880
<b>Other deposits</b>	7 130	61 562	68 692	2 094	52 425	54 519

Negotiable certificates of deposit	30	28 797	28 827	-	30 891	30 891
Other deposits	7 100	32 765	39 865	2 094	21 534	23 628
<b>Totals</b>	<b>157 289</b>	<b>112 573</b>	<b>269 862</b>	<b>103 632</b>	<b>106 096</b>	<b>209 728</b>
Total liabilities			360 234			275 879

The principal source of funding for the Bank is derived from deposits and current accounts. As at 30 June 2006, the total amount of deposits and current accounts (including from banks and financial institutions, customers and other deposits) amounted to R269,862 million compared to R209,728 million for the year ended 30 June 2005, an increase of 28.67% reflecting the Bank's strategy to continue to increase its customer deposit base.

As at 30 June 2006, customer deposits and current accounts (including current accounts, savings accounts and term deposits) amounted to R191,852 million (compared to R136,425 million for the year ended 30 June 2005), representing 53.26% of the Bank's total liabilities (49.45% as at 30 June 2005).

Within the Bank's divisions, deposits are primarily made with FNB. Deposits made with FNB amounted to R124,177 million as at 30 June 2006.

The vast majority of the deposits made with the Bank are denominated in Rand, although the Bank accept deposits in other currencies. The table below sets out the currency of deposits and current accounts (in millions) held by the Bank as at 30 June 2006 and 30 June 2005.

	<u>2006</u>	<u>2005</u>
Rand	256,832	205,608
UK£	248	670
US\$	11,460	2,461
Euro	1,252	920
Other	<u>70</u>	<u>69</u>
<b>Total</b>	<u><u>269,862</u></u>	<u><u>209,728</u></u>

The table set out at note 30.7 of the Bank's accounts as at and for the year ended 30 June 2006 sets out the maturity analysis of the Bank's balance sheet based on the remaining period from year end to maturity.

#### Debt Issuance

Another key aspect of the Bank's funding strategy is to enjoy as much flexibility as possible when seeking access to the widest range of funding markets, debt investors and products. The Bank's strategy for public issuance generally revolves around the establishment of a yield curve of liquid, actively traded benchmarks.

The total issued amount of senior and subordinated bonds issued by the Bank and listed on The Bond Exchange of South Africa is R6,850 million.

The following table sets out the liabilities of the Bank incurred in connection with the Bank's traded instruments.

	<u>As at 30 June 2006</u>	<u>As at 30 June 2005</u>
Subordinated convertible loans	2 349	2 349
Fixed rate bonds <sup>(1)</sup>	700	700
Floating rate bonds <sup>(2)</sup>	3 840	300
Less (portion repayable within 12 months transferred to current liability).....	<u>(30)</u>	<u>-</u>
<b>Totals</b>	<u><u>7 396</u></u>	<u><u>3 349</u></u>

- (1) The fixed rate bonds mature 31 August 2010 and bear interest at 1.2% above the R153 bond rate.
- (2) The floating rate bonds mature from 31 August 2010 to 21 December 2018 and bear interest at 0.715% above the three month Johannesburg Interbank Rate.

### **Securitisation**

The Bank is an active participant in the domestic securitisation market and as at 30 June 2006 had synthetically securitised R12.5 billion of corporate loans and R2 billion of motor vehicle instalment sale advances. During the 2005/6 financial year, the Bank securitised auto-loans originated by WesBank to the value of R2.0 billion. These securitisations were undertaken in part to lengthen and diversify the Bank's funding sources.

## **RISK MANAGEMENT**

### **Overview**

Management of risk is fundamental to the Bank's business and is an essential element of the Bank's operations. Risk within the Bank and its operations are managed on a Banking Group basis. The risk management governance structures of the Bank cascade down from the Board of Directors of FirstRand Bank Holdings Limited to its subsidiaries, main divisions and their business units. The Bank therefore applies the risk management frameworks and governance structures which are approved by the directors of the Banking Group and by the Board.

Risk control policies and exposure limits for the key risk areas of the Bank are approved by the Board while operational policies and control procedures are adopted by the relevant risk committees. The key risks inherent in the Bank's operations are credit risk, market risk, liquidity risk, interest rate risk and operational risk.

### **Bank risk management framework**

Risk management in the Bank is governed by the Business Success and Risk Management Framework (the "**BSRM Framework**") which is a policy of the Board. In terms of the BSRM Framework, risk management is vested as an integral part of management's functions at all levels of the Bank and includes the management of governance, strategy, business performance, competitiveness, human resources, external factors, processes, information technology and financial risks which include market, credit, interest rate, liquidity, tax and insurance risk.

All risks are managed in terms of the policies and frameworks of the Board and its committees and their sub-committees; for example, the BSRM Framework, the Credit Risk Management Framework, the Market Risk Management Framework, the Operational Risk Management Framework, the Compliance Risk Management Framework and the Legal Risk Management Framework.

The Bank's risk management framework has been reviewed and benchmarked against international best practice and has proved to be thorough, effective and robust in fully supporting enterprise risk management principles.

### **Implementation of the Risk Management Framework**

The implementation of the Risk Management Framework of the Board is the responsibility of everyone at the Bank. Divisions are supported in this task by the independent and deployed risk management functions, as well as the internal auditors and governance committees that monitor the Bank's risks and provide assurance that risk management processes operate effectively.

The independent risk management functions form part of the Finance, Risk and Audit division. This division is responsible for co-ordinating and monitoring the risk management functions of the Bank as well as establishing and driving implementation of risk management standards, methodology and processes.

Risk managers are deployed within the various divisions of the Bank. The deployed risk managers are responsible for supporting the implementation of the Risk Management Framework at the business unit level.

The risk management processes are monitored by the independent and deployed risk managers and the divisional risk committees. All the business units report on the effectiveness of their risk management processes to their relevant risk management functions and risk committees via a bottom-up process. Consolidated assessments for each of the main business divisions, are submitted quarterly for review by the Banking Group Risk and Compliance Committee (the "**FRBG Risk and Compliance**").

Committee”).

### **Governance Structures**

The Board is responsible for overall risk management and the quality of internal control systems. It is supported in these tasks by the Committees of the Board (“**Board Committees**”) their sub-committees and the risk management functions.

The risk management governance structures of the Bank cascade down from the Board to the subsidiaries and main divisions and their business units. The Bank, together with all other subsidiaries, divisions and major business units of the Bank have risk and audit committees. All audit committees and the FRBG Risk and Compliance Committee have non-executive representation. The FRBG Risk and Compliance Committee and all audit committee meetings are attended by representatives from the external and internal auditors and the independent risk management functions. The independent and deployed risk managers attend all risk committees as is appropriate.

Through these mechanisms transparency is maintained and integrity of the reports to the Board Committees is ensured through the presence of external and independent observers at all governance levels.

See “*Management*” for detail on the Board Committees and their main responsibilities.

### **CREDIT RISK**

Credit risk is the risk of loss due to non-performance of a counterparty in respect of any financial or performance obligation due to deterioration in the financial status of the counterparty.

Credit risk arises from advances to customers, lending commitments, contingent products (e.g. letters of credit) and traded products such as derivative instruments. It could also arise from the decrease in value of an asset subsequent to the downgrading of a counterparty.

Country risk relates to the likelihood that changes in the business environment will occur that reduce the profitability of doing business in a country and ultimately may result in credit losses arising from cross-border transactions.

#### **Credit risk governance**

The governance of credit risk management is comprehensively set out in the Credit Risk Management Framework and is supplemented by ancillary policies and committee mandates. The overall responsibility for the effectiveness of credit risk management processes vests with the Board. The operational responsibility has been delegated to the FRBG Risk and Compliance Committee and its sub-committees, executive management, operations management and the risk management functions.

The Bank Credit Risk Committee is a sub-committee of the FRBG Risk and Compliance Committee. This committee provides reports to the FRBG Risk and Compliance Committee on the effectiveness of risk management and an overview of the credit portfolio of the Bank. The Bank Credit Risk Committee and its sub-committees are responsible for the approval of relevant credit policies and the ongoing review of the credit exposure of the Bank. This includes the monitoring of the following:

- stress quantification;
- credit defaults against expected losses;
- credit concentration risk;
- return on risk; and
- appropriateness of loss provisions and reserves.

An integral part of the credit risk management governance is the approval of credit exposure by the Bank Credit Approval committees. The Large Exposure credit committee is a sub-committee of the Board and approves credit facilities in excess of 10% of capital. The Bank Credit Committee (a subcommittee of the Board) and its sub-committees approve credit facilities according to delegated mandates.

Deployed credit risk management functions consist of credit product houses, credit analysts and credit risk managers. These functions implement the credit risk management framework at the various levels within the organisation. Operational level credit risk management responsibility vests with these functions and involves the implementation of the comprehensive policies and processes described



below.

The Bank Credit Risk committee and deployed risk management functions are supported by the Bank Credit and Basel II function. This function's responsibility includes the following:

- formulation of the quarterly credit economic conditions outlook;
- preparation of aggregate credit risk reports and credit portfolio analysis for the governance committees;
- independent oversight on aspects such as credit rating systems and Basel II framework implementation;
- liaison with credit segment heads and other stakeholders on areas such as credit risk appetite, credit pricing, IFRS credit provisioning, credit policies and frameworks, sensitivity analyses and stress testing; and
- quantification and allocation of credit economic risk and capital.

### **Credit risk management**

Credit risk is managed through comprehensive policies and processes that ensure adequate identification, measurement, monitoring and control as well as reporting of credit risk exposure. Based on the Bank's credit risk appetite and competitive credit strategies, credit risk is managed with reference to risk/reward principles. The reward is managed through pricing for risk on an individual and portfolio basis.

The management of credit risk entails a detailed end-to-end process. Upon application, credit worthiness of the counterparty is assessed and measured in terms of the risk appetite. The counterparty credit risk is measured in terms of the predetermined policies as described in the credit risk measurement section below. The exposure is approved with reference to delegated mandates.

Subsequent to credit approval, all facilities are managed and monitored as part of the ongoing management processes. This includes the ongoing measurement and management of credit risk with reference to the following:

- quantification of exposure and management of facility utilisation within the predetermined credit limits (this includes management of excesses);
- ongoing monitoring of the credit worthiness of the counterparty;
- review of facilities at appropriate intervals; and
- collateral and covenant management.

Credit defaults are monitored relative to expected losses. Impairments are created against the portfolio and against non-performing loans as described in "Non-performing loans and impairment policy" below.

### **Credit risk measurement**

Credit risk measurement forms an integral part of the management of credit risk.

The Bank uses internal credit-rating models developed by the Bank to evaluate and monitor credit quality and to assist in the pricing of loans. These models produce a credit rating ("FR Rating") ranging from "1" to "100", with "1" being the best credit rating and "100" being the worst. The FR Ratings have been mapped to default probabilities as well as national and international rating agency scales.

### **Credit risk mitigation**

Credit mitigation instruments are used where appropriate. These include collateral, netting agreements and guarantees or credit derivatives.

### **Credit risk concentrations**

Concentration risk is managed at the credit portfolio levels. The nature thereof differs according to segment.

- Concentration risk management in the wholesale credit portfolio is based on individual name limits and exposures (which are reported to and approved by the Large Exposure credit

committee) and the monitoring of industry and country concentrations. A sophisticated simulation portfolio model has been implemented to quantify concentration risk and the potential impact thereof on the credit portfolio.

- For the Commercial (SME (defined below) level) exposures, the emphasis for concentration risk measurement is on industry distribution.
- Due to the inherent diversification in the retail portfolios, concentrations are managed with reference to collateral concentrations.

Sector and country analysis of the Bank's advances and contingencies is set out in notes 10 and 30.3 of the Bank's financial accounts for the year ended 30 June 2006.

### **Non-Performing Loans and Impairment Policy**

The Bank assesses the adequacy of impairments on an ongoing basis through review of the quality of the credit exposures. Specific impairments are created in respect of non-performing advances where there is objective evidence that all amounts due will not be collected. The amounts recoverable from guarantees and collateral are incorporated into the calculation of the impairment. Portfolio impairments are also created in respect of performing advances based on historical patterns of losses in each component of the performing portfolio.

Statistical methods are used to model the required impairments for non-performing loans. The assumptions used are approved by the Retail Technical and FirstRand Credit Review committees. The impairment models are compliant with IAS 39 rules and comprise portfolio impairments for arrear accounts and incurred by not reported impairments for non-arrear accounts.

Loans are regarded as non-performing once they are in excess of 90 days in arrear and are then provided for based on parameters agreed by the technical committee from time to time. Event driven triggers are used for overdrafts and where an occurrence like death or insolvency intervenes before arrears exceed 90 days. Non-performing loans are written off after 1 year, except for home loans where the sale of the relevant property triggers a write off.

### **Lending Policy and Procedures**

The Bank's lending policies and procedures are addressed in the Credit Risk Management Framework and are divided into the following categories: Wholesale Credit, Commercial Credit and Retail Credit.

#### ***Wholesale Credit***

Wholesale Credit comprises RMB clients and FNB corporate transactional banking clients. Loan applications are subject to a standard approval process. The credit assessment for credit facilities and limits for larger public sector, corporate and medium corporate exposures is carried out by expert credit analysts supported by a range of quantitative models and tools. These tools include both internally developed models, as well as third party models, such as KMV Credit Monitor™ and Moody's RiskCalc™. The tools are continually updated and recalibrated to ensure that the resultant FR-ratings are as accurate as possible.

Credit analysts quantify the probability of default of the counterparty, as well as characteristics of the lending facility. The result of the quantification is a counterparty FR-rating and a deal FR-rating. The prudential limits that govern the maximum exposures to counterparties are based on quantitative analysis taking into account the creditworthiness and size of the counterparty, the risk of the deal, and the contribution to economic capital required.

The facility limits and the counterparty and deal ratings are approved by credit committees. The committees are composed of both non-executives and executives who are selected to provide the appropriate skills to the relevant committee suited to the type of credit facilities which the committee will be required to approve. Detailed credit proposals are submitted to these committees on the structure of the transaction, project viability, industry sector and country exposure in support of the suggested ratings. In addition to the credit analyst the proposal is sponsored by an account executive. The process essentially acts as an independent internal rating agency.

The Board ultimately take responsibility for ensuring that the appropriate environment for the management of credit risk is established and maintained. The Board has delegated the credit approval mandate to the FirstRand Bank Credit Committee ("FRBCC") which comprises executive and non-executive directors selected to provide appropriate skills relating to credit risk.

The FRBCC has further delegated its credit approval mandates to different credit committees to deal with specialised lending, including the FRB Large Exposure Committee, the Large Corporate Credit Committee, the Project and Structured Commodity Finance Committee, the Property Finance Committee, the Traded Credit Committee (Corporate and sovereign bonds), Financial institutions and sovereign risk Committee and the International Credit and Investment Committee. Each committee has its own specified remit and approval limits.

### ***Commercial Credit***

Commercial Credit addresses small and medium sized (“SME”) counterparties. These exposures form part of the FNB Commercial business unit and include corporate and retail SME exposures (including property finance).

The rating assignment to SME corporate counterparties is based on an individual assessment of the counterparty’s creditworthiness and is supplemented with the Moody’s RiskCalc model that has been built using South African industry data. Retail SME exposures are assessed through the use of scorecards similar to those described in “Retail Credit” below.

The FNB Commercial Property Finance Committee has a mandate from the FRB Property Finance Committee to approve transactions of less than R30 million for commercial properties and up to R75 million for residential developments. Transactions in excess of these amounts are referred upwards.

### ***Retail Credit***

Retail Credit comprises Homeloans, Credit Card, Personal Loans and Consumer Overdrafts.

The Credit Review Committee for Retail Credit has an overarching responsibility for monitoring the health and profitability of the retail portfolio and co-ordinating policy with regard to the impact of macro economic events and legislation. In addition, each product house has its own credit review committee, where its own portfolio is monitored and where credit policy changes are considered and either approved or if material, are escalated to the FirstRand Credit Committee.

An independent Credit Compliance function operates within the FNB retail segment to act as chair for the retail and product house credit committees with responsibility for portfolio quality and compliance with credit policy. There is also an overarching Technical Committee for Retail, which approves the models used to score and risk rate the various products, as well as the assumptions underlying the provisioning models.

The primary method of credit approval is by using behavioural scorecards for existing customers, taking into account the credit behaviour across all product holdings. Where a customer is new to the bank, scoring is by demographic application scorecards. If a scoring result is inconclusive, the application will be referred on to be processed by judgmental means. Because individual amounts are relatively small and occurrences infrequent, this authority is usually performed by the head of credit in the product house.

A different system applies for FNB Homeloans where the size of the advances warrants a hierarchy with 6 tiers of authority, with two individuals at each level. For applications for home loans, credit approval processing and decision making is centralized and carried out by the FNB Home Loans Head Office. Credit decisions are split between the Judgmental Credit for self-employed applicants and the Automated Scoring System for non self-employed (salaried) applicants with discretion being held centrally. Where Judgmental Credit is employed, the primary assessment of the counterparty is by means of affordability and credit history. The Automated Scoring System accounts for 70% of all evaluation with Judgmental Credit at 30% in terms of value. FNB Home Loans has an approval mandate of R6 million per loan agreement with loans above the allocated mandate being referred to the High Net Worth Credit Committee of the Bank for approval.

Within WesBank, risk management is centralised and is carried out at WesBank Head Office. “Risk” is split between “judgmental credit”, and the “automated credit assessment system” (“ACAS”). Discretion is held centrally. ACAS is responsible for the evaluation of the loans with the value of up to R500,000. Amounts above R500,000 are referred to judgmental credit. ACAS evaluates more than 85% of deals by volume, and more than 75% of deals by value. Risk is graded on a scale and the grading on this scale determines the interest rate to be charged.

### **MARKET RISK**

Market risk is the risk of loss on trading instruments and portfolios due to changes in market prices and

rates. The Bank's market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Bank applies a "expected tail loss" methodology to estimate the market risk positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The "expected tail loss" measure estimates the potential loss over a given holding period (10 days) per a specific confidence level (99%).

Market risk exists in all trading, banking or investment portfolios. Market risk within the Bank is taken in RMB from proprietary positions as this is where the market risk taking and management expertise lies.

Trading in the foreign exchange, interest rate, equity, commodity and credit markets, and derivatives thereof is undertaken in terms of the Market Risk Management Framework which is a policy of the Board and is ancillary to the Business Success and Risk Management Framework. Longer term equity investments, both listed and unlisted, are approved by the Investment Risk Committee on an individual basis and are managed under the investment risk framework.

Market risk exposures are controlled by means of stress loss limits which are approved by the relevant business and risk management functions, the Market Risk Committee (RMB Risk Committee) and RMB Proprietary Board, and ratified by the FRBG Risk and Compliance Committee and the Board.

Market risk exposures are quantified daily across all trading activities of the Bank and monitored by the business risk managers and the business unit heads. The deployed and independent risk managers at RMB and the internal auditors monitor limit excesses, the causes of any excesses and the correction thereof on a daily basis for all trading business units. These functions also track the daily profits and losses against risk exposures and monitor the attribution of profits and losses by risk factor to ensure that risk exposures do not go undetected and that profits and losses are explained.

Market risk exposures are controlled by means of stress exposure limits. Stress conditions are represented by a systemic disaster scenario where correlations between the different market risk factors break down. The disaster scenario has been deliberately set to reflect the illiquid conditions and ballooning spreads experienced during a typical systemic breakdown in the markets.

## **LIQUIDITY RISK**

Liquidity risk is the inability to discharge funding or trading obligations which fall due at market related prices.

The Bank is exposed to daily liquidity requirements from overnight deposits, current accounts, maturing deposits, loan draw-downs and other cash requirements. The Bank does not maintain sufficient cash resources to meet all of these liquidity needs as historical experience indicates a minimum level of reinvestment of maturing funds with a high level of certainty particularly with retail deposits.

The matching and controlled mismatching of maturities and interest rates is fundamental to management of the Bank.

### **Management of liquidity risk**

The Bank has a group-wide funding and liquidity management process in place. Liquidity risk is managed in terms of the Liquidity Risk Management Framework, which is ancillary to the Business Success and Risk Management framework. Liquidity positions are managed at currency level and across all jurisdictions in which the Bank operates. Liquidity risk is managed by the Bank's Treasury and the dedicated liquidity risk management team reports to the Group's Assets and Liabilities Committee ("ALCO"). The business units are members of ALCO but do not have a majority vote. Interest rate and liquidity risk are centralised functions.

### **Management of the current liquidity position**

The Bank performs numerous tasks to manage the short term liquidity gap. These include: analysing the concentration of short term funding maturities; monitoring liquidity risk limits; maintaining an appropriate term mix of funding; diversifying the range of funding products offered to financial institutions; monitoring the daily cash flow movements across the Bank's various payment streams; actively managing the daily settlements and collateral management processes; performing assumptions-based scenario analysis to assess potential cash flows at risk; monitoring sources of funding for contingency funding needs and managing the portfolio of available liquid securities; and industry

benchmarking

### Liquidity contingency planning

Product behaviour assumptions are assessed and stress analysis is performed on the current liquidity position in order to assess potential cash flows at risk. Consideration is given to a variety of appropriate contingency funding mechanisms aimed at ensuring the Bank remains liquid during stress conditions. In addition, the liquidity risk management team monitors and manages the Bank's portfolio of available liquid sources against these stress assumptions.

The table set out at note 30.7 of the Bank's financial statements for the year ended 30 June 2006 sets out the Bank's balance sheet based on the remaining period from year-end to contractual maturity.

### INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk in the banking book is defined as the sensitivity of the balance sheet and income statement to unexpected, adverse movements of interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily.

Interest rate risk at the Bank is managed from an earnings approach, with the aim to protect and enhance net interest income in accordance with the Board-approved Interest Rate Risk Management Framework, which is ancillary to the Business Success and Risk Management Framework. In addition, changes to economic value are monitored daily, where possible, and managed within defined risk tolerance levels.

The net interest rate risk profile of the Bank is managed centrally by the Asset & Liability Management Unit by changing the profile of liquid assets or through derivative instruments, based on the Bank's interest rate outlook with reference to other risk factors impacting the Bank's balance sheet, notably credit risk. The Bank's ALCO monitors the risk exposures and the effectiveness of the interest rate risk management and reports to the FRBG Risk and Compliance Committee and the Board.

Within RMB, interest rate risk in the banking book is managed together with the interest rate risk in the trading book and is overseen by the Market Risk Committee.

The table set out at note 30.6 of the Bank's financial statements for the year ended 30 June 2006 sets out the Bank's exposure to interest rate risk, categorised by contractual repricing date, as at 30 June 2006 and 30 June 2005.

### OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The management of operational risk covers many diverse dimensions such as process efficiency, systems capacity and availability, information security, legal risk, business continuation, prevention of criminal activities, key management processes and insurance. Comprehensive programmes are in place to identify and evaluate operational risks, implement process improvements and monitor the status of key risks. Operational risk in the Bank is managed in terms of the Operational Risk Management Framework, which is ancillary to the Business Success and Risk Management Framework.

The following table provides an overview of the operational risk categories, the specialist risk functions responsible for independent monitoring and the sub-frameworks of the Risk Management Framework governing these.

<b>OPERATIONAL RISK CATEGORY</b>	<b>SPECIAL RISK FUNCTIONS</b>	<b>FRAMEWORKS</b>
Process Breakdowns and Issues	Operational Risk Management	Operational Risk Management Framework
Business Continuity	Business Continuity Management	Business Continuity Management Framework

<b>OPERATIONAL RISK CATEGORY</b>	<b>SPECIAL RISK FUNCTIONS</b>	<b>FRAMEWORKS</b>
Legal	Group Legal Services	Legal Risk Management Framework
Information Risk	Information Risk Services	Information Risk Management Framework
Compliance	Group Compliance	Compliance Management Framework
Anti-fraud, Security	Group Forensic Services	Security Policy
Financial Controls Breakdowns	Corporate Accounting	Financial Risk Management Framework
Human Resources Risk	Human Resources Functions	Human Resources Policy
Insurance	Risk Insurance	Risk Insurance Methodology

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## RELATED PARTY TRANSACTIONS

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The Bank enters into banking transactions in the normal course of business with related parties.

The Bank defines related parties as:

- (a) the "parent company", which includes FirstRand Bank Holdings Limited, FirstRand, RMB Holdings and Remgro Limited;
- (b) associate companies and joint venture companies (which are identified in note 15 to the financial statements for the year ended 30 June 2006);
- (c) key management personnel, which includes close family members of key management personnel, close family members are those family members who may be expected to influence, or be influenced by that individual in dealings with the Banking Group. This may include the individual's spouse/domestic partner and children, domestic partner's children and dependants of the individual or domestic partner;
- (d) enterprises which are controlled by these individuals through their majority shareholding or their role as chairman and/or CEO in those companies;
- (e) fellow subsidiaries, Discovery Limited, Momentum Group Limited, FirstRand Investment Holdings Limited and other subsidiaries included in note 16 to the financial statements for the year ended 30 June 2006.

The following table sets out transactions with relevant related parties for the years ended 30 June 2006 and 2005.

	2006		2005	
	Parent	Fellow subsidiaries	Parent	Fellow subsidiaries
<b>Transactions with related parties</b>				
	<i>(R million)</i>			
<b>Loans and Advances</b>				
Balance 1 July	-	-	-	-
Net movement during the year	36	-	-	-
Balance 30 June	36	-	-	-
<b>Deposits</b>				
Balance 1 July	2 001	-	545	-
Net movement during the year	(1 995)	-	1 456	-
Balance 30 June	6	-	2 001	-
<b>Loans to Insurance Group</b>				
Balance 1 July	1 554	2 104	1	32
Net movement during the year	(1 546)	(1 476)	1 553	2 072
Balance 30 June	8	628	1 554	2 104
<b>Loans from Insurance Group</b>				
Balance 1 July	36	7 920	33	3 561
Net movement during the year	-	(4 506)	3	4 359
Balance 30 June	36	3 414	36	7 920
<b>Amounts due to holding and fellow subsidiaries</b>				
Balance 1 July	200	17 543	344	17 036
Net movement during the year	616	(565)	(144)	507

	2006		2005	
	Parent	Fellow subsidiaries	Parent	Fellow subsidiaries
<i>(R million)</i>				
<b>Transactions with related parties</b>				
Balance 30 June	816	16 978	200	17 543
<b>Amounts due by holding and fellow subsidiaries</b>				
Balance 1 July	760	17 978	941	19 234
<b>Net movement during the year</b>	(101)	6 000	(181)	(1 256)
Balance 30 June	659	23 978	760	17 978
Interest received	7	870	4	504
Interest paid	50	390	66	603
Non-interest income	-	635	-	520
Operating expenditure	7	919	16	439

Transactions with related parties entered into by the Bank for the years ended 30 June 2006 and 2005 were made in the ordinary course of business and on arm's length terms.



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## SETTLEMENT, CLEARING AND TRANSFER OF NOTES

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*Words used in this section entitled "Settlement, Clearing and Transfers" 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 this is clearly inappropriate from the context.*

### GLOBAL CERTIFICATES

Registered Notes listed on BESA or such other or further exchange or exchanges will initially be issued in the form of a single Global Certificate which will be lodged and immobilised in the CSD, which forms part of the settlement system of BESA. The CSD's Nominee will be the sole Noteholder in respect of the Global Certificate.

The CSD holds Notes subject to the Securities Services Act and the Rules of the CSD. The Rules of the CSD, as at the date of this Programme Memorandum, are as published by the Registrar of Securities Services in Government Gazette No. 27758 of 8 July 2005.

While the Notes are held in the CSD under the Global Certificate, the CSD will be reflected as the Noteholder in the register maintained by the Transfer Agent. Accordingly, in terms of the Terms and Conditions of the Notes, all amounts to be paid and all rights to be exercised in respect of the Notes held in the CSD, will be paid to and may be exercised only by the CSD, for the holders of beneficial interests in the Notes held by the CSD under the Global Certificate.

The CSD maintains accounts only for the Participants. The Participants are also approved settlement agents of BESA. As at the date of this Programme Memorandum, the Settlement Agents are ABSA Bank Limited, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited and the South African Reserve Bank. The Participants are in turn required to maintain securities accounts for their clients. The clients of Participants may include the holders of Beneficial Interests in the Notes or their custodians. The clients of Participants, as the holders of the Beneficial Interests in the Notes or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the CSD only through the Participants. Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme, (Clearstream Luxembourg) ("Clearstream") may hold Notes through their Participants.

Transfers of Beneficial Interests in Notes in the CSD to and from clients of Participants, who are also Settlement Agents, occur by electronic book entry in the securities accounts of the clients with the Settlement Agents. Transfers among Participants of Notes held in the CSD occur through electronic book entry in the Participant's central security accounts with the CSD.

Transfers between Participants in the CSD will be effected in the ordinary way in accordance with the Applicable Procedures.

A Beneficial Interest will be exchangeable for an Individual Certificate if (i) a written request for Notes in definitive form is submitted by the holder of the Beneficial Interest to the relevant Participant not later than 14 days prior to the requested date of such exchange, (ii) the Applicable Procedures for obtaining such a Certificate from the Transfer Secretary are followed, and (iii) an equivalent number of Notes are transferred in accordance with the provisions of Condition 14 from the CSD's Nominee to the holder of such Beneficial Interest.

### INDIVIDUAL CERTIFICATES

All Notes not represented by a Global Certificate, including Bearer Notes and Order Notes shall be issued in definitive form, in the form of Individual Certificates. Notes issued in the form of Bearer Notes or order form of Order Notes, and which are interest bearing, have Coupons and, if indicated in the Applicable Pricing Supplement, talons attached on issue. Notes repayable in instalments have Receipts for the payment of the instalments of principal (other than the final instalment) attached on issue.

Title to Bearer Notes and/or Receipts, Coupons and Talons attached on issue to the Certificate evidencing such Bearer Note will pass by delivery of such Certificate, Receipt, Coupon or Talon (as the case may be). Title to Order Notes and/or any Receipts, Coupons and Talons attached on issue to the Certificate evidencing such Order Note, are transferable by way of endorsement and delivery of such Certificate, Receipt, Coupon or Talon (as the case may be).

Payments of interest and principal in respect of Individual Certificates will be made to Noteholders in accordance with Condition 8 of the Terms and Conditions.

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## SUBSCRIPTION AND SALE

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*Words used in this section entitled "Subscription and Sale" 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 this is clearly inappropriate from the context.*

The Dealer has in terms of a Programme Agreement, as may be amended, supplemented or restated from time to time (the "Programme Agreement") dated 24 February 2004, agreed with the Issuer a basis upon which it may from time to time agree to subscribe for Notes or procure the subscription of Notes.

### **Republic of South Africa**

The Dealer has represented and agreed and each additional Dealer will be required to represent and agree that the offer of Notes for sale pursuant to the Programme shall comply with the provisions of the Companies Act, 1973 and the Banks Act and regulations issued thereunder.

### **United States of America**

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

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and the Regulations thereunder.

Each Dealer has represented and agreed, and each additional Dealer appointed under the Programme will be required to represent and agree that it will not offer, sell or deliver Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution, as determined and certified by the Relevant Dealer or, in the case of an issue of such Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed and each additional Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any of such Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

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

### **United Kingdom**

Each Dealer has represented, warranted and agreed that:

- (a) **No deposit-taking:** in relation to any Notes having a maturity of less than one year:
  - (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
  - (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
    - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

- (b) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so are authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000 as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

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

#### **General**

The Dealer has agreed and each additional Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it subscribes or procures the subscription of Notes, offers or sells Notes or possesses or distributes this Programme Memorandum and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and neither the Issuer nor any other Dealer shall have any responsibility therefor.

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

With regard to each Tranche, the relevant Dealer will be required to comply with such other or additional restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the

Applicable Pricing Supplement.

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## SOUTH AFRICAN TAXATION

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*The information contained below is intended to be a general guide to the relevant tax laws of South Africa as at the date of this Programme Memorandum and is not intended as comprehensive advice and does not purport to describe all of the considerations that may be relevant to a prospective purchaser of Notes. Prospective purchasers of Notes should consult their own professional advisers in regard to the purchase of Notes and the tax implications thereof. Accordingly, the Issuer makes no representation and gives no warranty or undertaking, express or implied, and accepts no responsibility for the accuracy or completeness of the information contained in this paragraph. The information contained below sets out guidelines on the current position regarding South African taxation for taxpayers who hold the Notes as capital assets. Traders in these Notes should consult their own advisers.*

Words used in this section shall have the same meanings as defined in the Terms and Conditions, unless they are defined in this section or this is clearly inappropriate from the context.

### **Stamp Duty and Uncertificated Securities Tax**

In terms of the Stamp Duties Act, 1968, no stamp duty is payable on the original issue of debentures or on their transfer, provided that they constitute instruments as contemplated in section 24J of the Income Tax Act, 1962 (as amended) (the “Act”).

In terms of the Uncertificated Securities Tax Act, 1998, no uncertificated securities tax is payable on the issue or transfer of securities qualifying as instruments as contemplated in section 24J of the Act.

Accordingly, as at the date of this Programme Memorandum, (i) no stamp duty (as contemplated in the Stamp Duties Act, 1968) is payable on the issue, cancellation, redemption or on the transfer of the Notes, and (ii) no uncertificated securities tax (as contemplated in the Uncertificated Securities Tax Act, 1998) is payable on the issue or on the transfer of the Notes.

### **General**

In general interest received on the Notes will be subject to income tax in South Africa (the “Republic”). Certain entities may be exempt from the tax. Purchasers are advised to consult their own professional advisers as to whether the interest will be exempt or not. The amount of interest to be included in income, the position of non-residents and the capital gains tax consequences are examined below.

### **Interest for Purposes of Section 24J of the Income Tax Act**

In terms of section 24J of the Act, any discount or premium to the nominal value at which a Note is issued or acquired is treated as part of the interest income on the Note by the Revenue authorities. The Noteholder will be deemed to have accrued such interest income on a day-to-day basis until the Noteholder disposes of the Note or until maturity. This day-to-day basis is determined by calculating the yield to maturity and applying it to the capital involved for the relevant tax period. In practice the premium or discount is treated as interest for the purposes of the exemption under section 10(1)(h) of the Act.

### **Noteholders who are not Residents of the Common Monetary Area**

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

- (a) is a natural person who was physically present in the Republic for a period exceeding 183 days in aggregate during that year of assessment; or
- (b) at any time during that year of assessment carried on business through a permanent establishment in the Republic.

### **Capital Gains Tax**

Capital gains and losses of residents on the disposal of Notes are subject to Capital Gains Tax. Any discount or premium on acquisition which has already been treated as interest for income tax purposes, under section 24J of the Act will not be taken into account when determining any capital gain or loss. In terms of section 24J(4A) of the Act a loss on disposal will, to the extent that it has previously been included in taxable income (as interest) be allowed as a deduction from the taxable income of the

holder when it is incurred and accordingly will not give rise to a capital loss.

Capital Gains Tax in terms of the Eighth Schedule to the Act does not apply to assets such as Notes disposed of by a person who is not a resident unless the Note disposed of is attributable to a permanent establishment of that person through which a trade is carried on in South Africa during the relevant year of assessment.

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## SOUTH AFRICAN EXCHANGE CONTROL

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*The information below is not intended as advice and it does not purport to describe all of the considerations that may be relevant to a prospective purchase of, or subscriber for, Notes. Prospective subscribers for Notes that are non-South African residents or emigrants from the Common Monetary Area are urged to seek further professional advice in regard to the purchaser of, or subscription, for Notes.*

*Words used in this section shall have the same meanings as defined in the section entitled "Terms and Conditions of the Notes" above, unless they are defined in this section or this is clearly inappropriate from the context.*

### **Blocked Rand**

Blocked Rands may be used for the purchase of, or subscription for, Notes. Any amounts payable by the Issuer in respect of the Notes purchased, or subscribed for, with Blocked Rands may not, in terms of the Exchange Control Regulations be remitted out of South Africa or paid into any non-South African bank account. The Minister of Finance stated on 26 February 2003 that emigrants' blocked assets are to be unwound and such emigrants will be entitled, on application to the exchange control department of the South African Reserve Bank, subject to an exiting schedule and an exit charge of 10% (ten percent) of the amount, to exit such blocked assets from South Africa.

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

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the CSD and its relevant Settlement Agents, the securities account of such emigrant will be designated as an "*emigrant*" account. Any Individual Certificates issued to Noteholders in respect of Notes in materialised form will be restrictively endorsed "*non-resident*". Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange dealer controlling such emigrant's blocked assets.

Any payments of interest or principal due to an emigrant Noteholder in respect of Notes will be deposited into such emigrant's Blocked Rand account with the authorised foreign exchange dealer controlling such blocked assets. These amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

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

In terms of the Exchange Control Regulations, non-residents of the Common Monetary Area may not invest in the Notes unless general approval is sought and obtained from the relevant authorities.

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

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

For the purposes of these paragraphs:

**"Common Monetary Area"** means South Africa, Lesotho, Namibia and Swaziland.

**"Blocked Rands"** means funds which may not be remitted out of South Africa or paid into a non-South African resident's bank account.



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## GENERAL INFORMATION

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*Words used in this section entitled "General Information" 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 this is clearly inappropriate from the context.*

### **Authorisation**

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of the Republic of South Africa have been given for the establishment of the Programme and the issue of Notes and for the Issuer to undertake and perform its obligations under the Programme Agreement and the Notes.

### **Listing**

The Programme has been approved by BESA. Notes to be issued under the Programme will be listed on BESA or its successor or such other or further exchanges as may be agreed between the Issuer and the relevant Dealer(s).

### **Documents Available**

So long as Notes are capable of being issued under the Programme, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified office of the Transfer Secretary for the time being in Johannesburg:

- (a) the most recently published annual report containing of FirstRand, incorporating the audited annual financial statements, and notes thereto;
- (b) a copy of this Programme Memorandum;
- (c) any future prospectuses, Programme Memoranda, supplementary listing particulars, information memoranda and supplements (including the Pricing Supplements in respect of listed Notes) to this Programme Memorandum and any other documents incorporated herein or therein by reference.

### **Clearing Systems**

The Bonds have been accepted for clearance through the CSD, which forms part of the BESA clearing system that is managed by STRATE Limited and may be accepted for clearance through any additional clearing system as may be agreed between BESA and the Issuer.

### **Settlement Agents**

As at the date of this Programme Memorandum, the BESA-recognised Settlement Agents are ABSA Bank Limited, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited and the South African Reserve Bank. Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme, (Clearstream Luxembourg) ("Clearstream") may settle offshore transfers in the Notes through their appointed BESA Settlement Agents.

### **Settlement, Transfer and Clearing**

Notes will be issued, cleared and transferred in accordance with the procedures and rules set out by BESA and the CSD. Notes will be settled through BESA-recognised Settlement Agents who will comply with the electronic settlement procedures. The CSD's Nominee will be the registered holder of a Global Certificate and will maintain securities accounts for the Participants who, in turn, will maintain securities accounts for investors in the Notes.

The BESA Settlement Agents will be responsible for the settlement of scrip and payment transfers through the CSD and the South African Reserve Bank. Individual Certificates will only be issued to Noteholders in terms of the procedures set out in Condition 12. Transfer of Notes shall be undertaken in accordance with the rules of the CSD as well as the Terms and Conditions, save for the transfer of Individual Certificates which shall take place in accordance with the procedures set out in Condition 14. The CSD's Nominee, and any individual Noteholder of Individual Certificate(s), shall be the registered holders of Notes.

The Settlement Agents and the Transfer Secretary shall not be required to recognise any notice of any

trust nor recognise the right of any other person other than the beneficial holder of Notes.

No transfer of Notes will be made in the Register unless the prescribed transfer form and the Individual Certificate (if any) has been properly lodged with the Transfer Secretary.

#### **Material Change**

Save as disclosed in this Programme Memorandum, there has been no material adverse change in the financial or trading position of FirstRand and no material adverse change in the prospects of FirstRand since the date of the Issuer's latest audited financial statements.

#### **Litigation**

Save as disclosed herein, FirstRand is not (whether as defendant or otherwise) engaged in any legal, arbitration, administration or other proceedings, the results of which might have or have had a material effect on the financial position or the operations of FirstRand, nor is it aware of any such proceedings being threatened or pending.

#### **Auditors**

PricewaterhouseCoopers and Deloitte & Touche have acted as the auditors of the financial statements of FirstRand for the financial years ended 30 June 2004, 30 June 2005 and 30 June 2006 and, in respect of these years, issued unqualified audit reports.

#### **Impairment of bank's capital in respect of Notes qualifying as Secondary Capital or Tertiary Capital**

Regulation 21(9) of the Capital Adequacy Regulations (Government notice R1112, Government Gazette 21726, 8 November 2000) published under section 90 of the Banks Act provides that the acquisition of any Notes qualifying as Secondary Capital or Tertiary Capital (as the case may be) by a bank, as defined in the Banks Act, or by a non-banking subsidiary of a bank shall be regarded as an impairment of the capital of the bank in question, in an amount equal to the book value of such Notes held by that bank when it calculates its capital adequacy requirements.

#### **Deferral of payments of principal and interest in respect of Notes qualifying as Tertiary Capital**

The regulations relating to capital adequacy requirements for banks' trading activities in financial instruments (Government Notice R1058, Government Gazette 6268, 21 August 1998) published under section 90 of the Banks Act provide that in the event that the qualifying capital (as defined therein) of a bank issuing Notes qualifying as Tertiary Capital falls below the prescribed minimum amount, the Registrar of Banks may require that interest and principal payments in respect of such Notes be deferred for such a period of time and subject to such conditions, if any, that the Registrar of Banks may deem fit.

**ISSUER**

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Contact: Mr A du Toit

**ARRANGER, DEALER and SPONSORING MEMBER**

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Contact: Mrs G Raine

**PAYING AGENT, CALCULATION AGENT and TRANSFER SECRETARY**

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Contact: Ms N Doherty

**LEGAL ADVISERS**

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Mr C van Heerden

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