



FIRSTRAND BANK

FIRSTRAND BANK LIMITED

(incorporated with limited liability in South Africa with Registration Number 1929/001225/06)

U.S.\$1,500,000,000

Euro Medium Term Note Programme

This Base Prospectus has been approved by the United Kingdom Financial Conduct Authority in its capacity as competent authority (the "**UK Listing Authority**") as a base prospectus issued in compliance with Article 5.4 of Directive 2003/71/EC (as amended, including by Directive 2010/73/EU) (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of notes (the "**Notes**") issued under the Euro Medium Term Note Programme (the "**Programme**") described in this Base Prospectus during the period of twelve months after the date hereof. The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Base Prospectus to "**Exempt Notes**" are to Notes for which no prospectus is required to be published under the Prospectus Directive. **The UK Listing Authority has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.**

Applications have been made for Notes other than Exempt Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the UK Listing Authority (the "**Official List**") and to trading on the regulated market of the London Stock Exchange plc (the "**London Stock Exchange**"). References in this Base Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. The London Stock Exchange's regulated market is a regulated market for the purpose of Directive 2014/65/EU (the Markets in Financial Instruments Directive). The Programme also permits Exempt Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer.

Notes to be issued under the Programme may comprise (i) unsubordinated Notes (the "**Unsubordinated Notes**") and (ii) subordinated Notes (the "**Tier 2 Notes**") as described herein and with terms capable of qualifying the proceeds of such Tier 2 Notes as Tier 2 Capital (as defined in the "*Terms and Conditions of the Notes*").

Prior written approval of the Financial Surveillance Department (the "FSD") of the South African Reserve Bank ("SARB"), and, in respect of an issue of Notes which are intended to qualify as Tier 2 Capital, the Registrar of Banks is required for the issuance of each Tranche of Notes under the Programme. The prior approval of the Registrar of Banks is not required for the issuance of Unsubordinated Notes.

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under "Risk Factors" below.

The Programme is rated (P)Baa3 (senior unsecured) and (P)Ba2 (subordinated) by Moody's Investors Service Cyprus Ltd ("**Moody's**"). Moody's is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "**CRA Regulation**"). Each Series of Notes issued under the Programme may or may not be rated. Where a Series of Notes issued under the Programme is to be rated (other than an unsolicited rating), such rating will be specified in the relevant Final Terms (or, the relevant Pricing Supplement, in the case of Exempt Notes), although it may not necessarily be the same as the rating assigned to the Programme.

Amounts payable on floating rate Notes will be calculated by reference to one of LIBOR and EURIBOR, as specified in the relevant Final Terms. As at the date of this Base Prospectus, the administrators of LIBOR and EURIBOR are not included in the European Securities and Markets Authority's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the "**Benchmarks Regulation**"). As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that Intercontinental Exchange Benchmark Administration Ltd (as administrator of LIBOR), European Money Markets Institute (as administrator of EURIBOR) are not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

Arranger

**Rand Merchant Bank, a division of
FirstRand Bank Limited (London Branch)**

Dealers

BNP PARIBAS

HSBC

J.P. Morgan

Morgan Stanley

**Rand Merchant Bank, a division of
FirstRand Bank Limited (London Branch)**

6 April 2018

IMPORTANT NOTICES

FirstRand Bank Limited (the "**Issuer**" or the "**Bank**") accepts responsibility for the information contained in this Base Prospectus and the Final Terms (as defined below) for each Tranche (as defined herein) of Notes issued under the Programme and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Certain information identified as such in this Base Prospectus has been extracted from independent sources identified in this Base Prospectus. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by the relevant sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Each Tranche of Notes other than Exempt Notes will be issued on the terms set out herein under "*Terms and Conditions of the Notes*" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**"), the form of which is set out in "*Form of Final Terms*", or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "*Final Terms and Drawdown Prospectuses*" below. In the case of a Tranche of Notes other than Exempt Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. In the case of Exempt Notes, each Tranche will be issued on the terms set out in the Conditions as completed by a document specific to such Tranche called a pricing supplement (the "**Pricing Supplement**"), the form of which is set out in "*Form of Pricing Supplement*".

This Base Prospectus must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms or Pricing Supplement, as the case may be, must be read and construed together with the relevant Final Terms or Pricing Supplement, as applicable.

The Issuer has confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Notes) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus, any Final Terms or (in the case of Exempt Notes) Pricing Supplement, nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer. For the purposes of this paragraph, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

The distribution of this Base Prospectus and any Final Terms or (in the case of Exempt Notes) Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus, any Final Terms or (in the case of Exempt Notes) Pricing Supplement comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Base Prospectus, any Final Terms or (in the case of Exempt Notes) Pricing Supplement and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**"). Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any Final Terms or (in the case of Exempt Notes) Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus, any Final Terms or (in the case of Exempt Notes) Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Base Prospectus, any Final Terms or (in the case of Exempt Notes) any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer on the basis of the information contained in, or incorporated by reference in, this Base Prospectus.

IMPORTANT – EEA RETAIL INVESTORS – If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II product governance / target market – The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) will include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such an investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed U.S.\$1,500,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

In this Base Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area, references to "**South Africa**" are references to the Republic of South Africa, references to "**U.S.\$**", "**U.S. dollars**" or "**dollars**" are to United States dollars, references to "**EUR**" or "**euro**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty on the Functioning of the European Union, as amended and references to "**ZAR**", "**R**" or "**Rand**" are to South African rand.

For ease of information, certain financial information relating to the Issuer included herein has been presented as translated into U.S. dollars at the U.S. dollar/Rand official rates of exchange deemed appropriate by the Issuer. Unless otherwise specified, such rates were applicable as of the end of the relevant specified period(s). Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted into U.S. dollars at that or any other rate.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) acting as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is

made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

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RISK FACTORS

The Issuer believes that the factors outlined below may affect its ability to fulfil its obligations under the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring. In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below. The value of the Notes could decline due to any of these risks, and investors may lose some or all of their investment.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it, or which it may not currently be able to anticipate. Accordingly, the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive.

Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus to reach their own views prior to making any investment decision.

Capitalised terms used herein and not otherwise defined shall bear the meanings ascribed to them in the Conditions.

Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme

Risks relating to the Issuer

The investments, business, profitability and results of operations of the Issuer may be adversely affected as a result of political, social and economic risks in South Africa and global economic conditions

The Issuer's operations are predominantly concentrated in South Africa, with the majority of its revenues deriving from operations in South Africa. The Issuer is therefore highly exposed to South African macroeconomic conditions and, as a result of their impact on the South African economy, global economic conditions. Any material deterioration in global or South African macroeconomic conditions could lead to a reduction in business activity, higher impairment charges, increased funding costs and reduced profitability and revenues.

Global economic conditions

The South African economy is exposed to the global economy through the current and capital accounts of the balance of payments. South Africa's exports are impacted by economic activity of some of the world's largest economies including China, the United States (the "US") and Europe. Commodity prices and the Rand exchange rate also have a material impact on South African exports. The South African economy is also reliant on foreign capital flows into the country and has been a recipient of foreign capital through the domestic bond and equity markets over the last few years.

Relatively strong global growth and demand for emerging market financial assets are currently supportive of domestic exports and capital flows into the country. If these conditions deteriorate materially, then this is likely to have a negative impact on macroeconomic conditions in South Africa.

The main contributor towards demand for emerging market assets is an on-going, synchronised and above-trend growth in world economic activity. Growth in Europe and the US is currently above average levels witnessed in recent years, and emerging market activity continues to improve as well. Certain major central banks have recently indicated that they remain firmly set on normalising interest rate policy over time. While this normalisation will entail both the shrinkage of central bank balance sheets as well as a gradual increase in policy rates, for as long as inflation remains within an acceptable range, it is unlikely that central banks will take actions which jeopardise global economic growth.

Nevertheless, should major central banks (such as the US Federal Reserve, the European Central Bank and the Bank of Japan) increase interest rates, or shrink their balance sheets, faster than currently envisioned by global

financial markets, it could jeopardise foreign capital inflows into South Africa's bond and equity markets. A sharp slowdown of foreign flows to South Africa can result in currency weakness, higher interest rates, an increase in bond yields and weaker economic growth.

Furthermore, the introduction of global trade impediments (including tariffs) could impact global demand for goods from South Africa and global risk appetite more generally. For example, the recent announcement by the US President proposing an increase in the tariff on steel exports to the US has increased concerns about the impact of such trade impediments.

In addition, a sharp fall in precious metals prices and/or base metal prices could also result in a deterioration in the value of the Rand, higher interest rates and bond yields.

South African economic conditions

The Issuer currently anticipates that the cyclical recovery that started in 2017 will become more entrenched and the South African economy will grow faster in 2018 than 2017 and will strengthen further in 2019. However, the expansion is expected to be weak relative to historic recovery as a result of structural constraints that will likely continue to hamper South Africa's production capacity.

The South African macroeconomic environment is characterised by low private sector investment growth, weak employment growth, historical high levels of debt and pressure on domestic demand. The global environment remains supportive of South Africa's macroeconomic position while political changes and attempts to stabilise state finances have boosted global and domestic confidence towards the economy and have strengthened the Rand. While this should lead to further improvement in South Africa's macroeconomic position in the short term, the more restrictive fiscal policy stance erodes many of these benefits. Increases in the rates of value added tax will offset the positive inflationary impact of the strengthened Rand, while the Minister of Finance's recent tax proposals will impact household disposable income growth. The Issuer does not anticipate that improved confidence, a stronger Rand and higher tax rates will result in a meaningful increase in trend growth. Certain state-owned enterprises continue to face solvency and liquidity challenges. Structural changes, including financial and business reforms of state-owned enterprises, an improvement in the quality of education, significantly higher fixed capital investment and labour market reforms are necessary to change the long-term trajectory of the country.

South African political conditions

Historically, the South African political environment has been characterised by a high level of uncertainty and concerns about the strength and independence of the country's institutions. The election of Cyril Ramaphosa as President of South Africa, the appointment of a new cabinet and changes at the Eskom board have contributed to reduced political uncertainty and has boosted global and domestic confidence towards the South African economy. However, the Issuer currently anticipates that there will be very strong political debates in respect of various sensitive issues such as land expropriation which has become a hallmark of 'post-Zuma' politics in South Africa. Ongoing political developments may impact private sector investment and the Issuer will continue to monitor the political and policy landscape carefully.

Domestic financial markets could be adversely affected by any outcome that may result in heightened political uncertainty. Although political uncertainty has subsided in recent years, the Bank believes that potential for increased political risk may become apparent again as the country approaches its next general election, which is scheduled to take place by 2019. The high unemployment rate and unequal wealth and income distribution may fuel socio-economic pressure and encourage government to change its current macroeconomic policies.

South African conditions specific to the banking sector

The South African banking sector remains well capitalised, funded, regulated and managed. The South African financial sector is widely regarded as one of the country's key pillars of economic strength. The banking sector is, however, highly exposed to South African macroeconomic conditions and will be impacted by negative macroeconomic developments.

The Issuer believes that, following recent political developments in South Africa (as outlined in “*South African political conditions*” above), the macroeconomic environment in South Africa has improved. The Issuer currently anticipates that this may lead to a gradual improvement in assets growth in the sector and also arrest the negative sovereign rating trend that has characterised the economic environment over the last few years.

Although household and corporate affordability conditions are currently benefiting from historically lower inflation and low interest rates, a marked slowdown in foreign capital flows may reduce the value of the Rand and lead to higher interest rates which, in turn, is likely to have a significant impact on household and corporate affordability conditions. A deterioration in the country’s institutions, especially the independence of the SARB and policy conduct at the National Treasury in South Africa (the “**National Treasury**”), can also have a negative impact on the banking sector.

The Issuer's financial performance has been and is likely to remain linked to the performance of the South African economy.

Risk Management

The Issuer, in common with other issuers in South Africa and elsewhere, is exposed to commercial and market risks in its ordinary course of business, the most significant of which are credit risk, market risk in the trading book, and operational risk. Credit risk is the risk of loss due to non-performance of a counterparty in respect of any financial or other obligation. Market risk in the trading book relates to the risk of adverse revaluation of any financial instrument as a consequence of changes in market prices or rates. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Any failure to control these risks adequately or unexpected developments in the future economic environment could have an adverse effect on the financial condition and reputation of the Issuer (see “*Description of FirstRand Bank Limited—Risk Management*”).

Credit Risk

Credit risk arises primarily from advances and certain investment securities. Other sources of credit risk include reinsurance assets, cash and cash equivalents, accounts receivable and derivative balances.

The Issuer’s lending and trading businesses are subject to inherent risks relating to the credit quality of its counterparties and the recoverability of loans and advances due from these counterparties. Changes in the credit quality of the Issuer's lending and trading counterparties or arising from systemic risk in the financial sector could reduce the value of the Issuer's assets and require increased credit impairments.

Many factors affect the ability of the Issuer's clients to repay their loans, including adverse changes in consumer confidence levels due to local, national and global factors, levels of consumer spending, insolvency rates, and increased market volatility. These factors might be difficult to predict and are completely outside of the Issuer's control. The Issuer performs regular stress tests on its credit portfolios to identify the key factors impacting the credit risk profile, to anticipate possible future outcomes, and to implement necessary actions to constrain risk.

The Issuer continues to apply origination strategies which are aligned to its broader financial resource management processes and macroeconomic outlook. The Issuer manages credit risk through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure. Credit risk management principles include holding the appropriate level of capital and pricing for risk on an individual and portfolio basis. Credit risk is taken within the constraints of the Issuer's risk appetite framework. The Issuer's credit portfolio is managed at an aggregate level to optimise the exposure to this risk. Persistent political and policy uncertainty, ongoing governance issues at state-owned enterprises and continued erosion of confidence in institutional strength and independence all continue to have a negative impact on confidence, which in turn constrains private sector investment, places pressure on employment and ultimately undermines gross domestic product (“**GDP**”) growth. Such a macroeconomic environment will be characterised by low domestic demand growth (consumption, investment and government spending), downward pressure on personal income and further rating agency downgrades. This could result in increased levels of impairment in the Issuer’s

credit portfolio and have an adverse impact on the Issuer's ability to grow its revenues and, therefore, on its financial condition.

Concentration Risk

Credit concentration risk is the risk of loss arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, country or region, or maturity.

The Issuer's business is significantly focused on the South African market and, the Issuer therefore faces a geographic concentration risk. Operations in South Africa are subject to various risks which include political, social and economic risks, such as general economic volatility, low growth, relatively high inflation, exchange rate risks, exchange controls, crime and diseases (including, for example, HIV/AIDS), which could affect an investment in the Notes. The existence of such factors may have a negative impact on South African economic conditions generally, and more specifically on the business and results of the Issuer in ways that cannot be predicted.

Any adverse changes affecting the South African economy are likely to have an adverse impact on the Issuer's ability to grow revenues as well as credit impairments and, therefore, on its financial condition.

Liquidity Risk

Structural characteristics impacting the funding profile of South African banks

South Africa is an emerging market with significant socio-economic challenges. These include high levels of poverty and social security needs. Addressing these challenges requires a high level of funding which constrains domestic savings and results in low household savings rates.

In addition to a low domestic savings rate, South Africa's financial system is characterised by structural features which pose additional liquidity challenges for the domestic banking system. A key characteristic is the fact that the available savings in the economy are mostly contractual savings and funded pension liabilities. These savings are captured by institutions such as pension funds, provident funds and providers of asset management services. In addition, they tend to have a higher allocation to the equities market relative to fixed income assets (relative to developed market norms) and are invested at banks in the form of institutional funding, comprising wholesale funding from financial institutions across a range of deposits, loans and other financial instruments.

In addition, the operational liquidity management needs of institutions are largely met by their investments into the banking sector via the money market. These institutional deposits have a higher liquidity risk than retail deposits.

The table below sets out the composition of the funding base for the South African banking sector as at 31 December 2017. It shows that 40.4 per cent. of bank sector's funding was sourced from the institutional sector, while 20.6 per cent. was sourced from the retail sector.

SA banks' funding sources (unaudited and unreviewed)	31 December 2017 (% of funding liabilities)				
	Total	Transactional	Short-term (<1 month)	Medium-term (1 to 6 months)	Long-term (> 6 months)
Institutional	40.4	10.0	2.9	10.0	17.5
Corporate	18.8	14.8	1.6	1.8	0.5
Retail	20.6	13.9	1.2	2.7	2.8
SMEs	4.9	3.6	0.4	0.6	0.3
Government and parastatals	5.6	3.5	0.7	1.0	0.3

SA banks' funding sources (unaudited and unreviewed)	31 December 2017 (% of funding liabilities)				
	Total	Transactional	Short-term (<1 month)	Medium-term (1 to 6 months)	Long-term (> 6 months)
Foreign currency*	7.0	2.5	1.4	0.9	2.1
Other	2.7	0.0	2.5	0.0	0.1
Total	100.0	48.5	10.8	17.0	23.7

Source: South African banking sector aggregate SARB BA900 returns, balances expressed as a percentage of funding liabilities (31 December 2017), FirstRand research.

* This category includes all funds and deposits which are not denominated in Rand, even if they are balances of a South African resident.

Given the relative reliance on institutional deposits, liquidity risk in the South African banking system is structurally higher than in most other markets.

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

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

These factors contributed to South Africa's resilience during the 2008/2009 global financial crisis.

Foreign currency funding risks

The low level of discretionary savings in South Africa, and its high investment and social welfare requirements increase the economy's reliance and vulnerability to foreign capital inflows, driven by the country's fiscal and current account.

Given South Africa's poor macroeconomic outlook, vulnerable funding position, risks of further sovereign credit rating downgrades, and resulting low investor confidence, no assurance can be given that the Issuer will be able to refinance its foreign currency obligations when they fall due on acceptable terms.

The Issuer seeks to mitigate its exposure to its foreign currency funding through operating a prudent foreign currency management framework, and operating within limits on its foreign currency borrowing that are more conservative than the macro-prudential limits applied by the SARB. The Issuer seeks to avoid exposing itself to undue liquidity risk and to maintain liquidity risk within the risk appetite approved by the board and risk committee.

The Issuer believes that its level of access to domestic and international inter-bank and capital markets will allow the Issuer to meet its short-term and long-term liquidity needs due to its funding strategy and flexibility and diversification of its liquidity risk management policy in both foreign and domestic currencies. However, any maturity mismatches may have a material adverse effect on its financial condition. Furthermore, there can be no assurance that the Issuer will be successful in obtaining additional sources of funds on acceptable terms, or at all.

Funding and other risks related to securitisations

The Issuer makes use of securitisations to complement its overall funding strategy. As at 31 December 2017, less than 2.8 per cent. of the Bank's assets were securitised. This can, however, constitute a significant proportion of a particular asset class within the broader securitisable pool. The Issuer's most significant deployment of securitisation has been focused on the United Kingdom-domiciled vehicle finance entity, MotoNovo, which has engaged in both public transactions (known as the "Turbo" series), as well as private transactions. MotoNovo Finance is a business segment of FirstRand Bank Limited (London branch).

While an important component of its overall funding strategy, the Issuer limits the use of securitisation to ensure appropriate strategy diversification and agility. Further, the Issuer does not execute securitisations for credit or capital relief purposes, and typically retains subordinated notes within the wider FirstRand Group structure. Consequently, the FirstRand Group retains all risks and rewards associated with the underlying assets. This practice may, however, have an adverse impact on the volatility of the Bank's reported earnings where large portions of a particular asset book are securitised to enable further asset growth and funding, as is the case for MotoNovo. In addition, the use of securitisation transactions as part of the Issuer's funding strategy generates risks such as:

- liquidity and funding risk in respect of any potential repurchase of the transferred assets (for example, in circumstances where there is a breach of contractual representations and warranties relating to the underlying assets);
- operational risks related to the servicing of the transferred assets; and
- interest rate and other risks through derivatives held with the structured entities.

The Issuer engages in securitisation transactions in order to mitigate and not add to the funding and liquidity risk. However, there is the risk that if the securitisation markets, especially in the United Kingdom and European jurisdictions, were to remain closed for an extended or prolonged period or if there was a significant reduction in investor demand, or a significant increase in cost of funding obtained from securitisations, this may increase the Bank's refinancing risks, particularly in respect of foreign currency, and adversely impact the Bank's liquidity and financial condition.

Downgrade in the Issuer's credit ratings or credit rating of South Africa could have an adverse effect on the Issuer's liquidity sources and funding costs

The Issuer's credit ratings affect the cost and other terms upon which the Issuer is able to obtain funding. Rating agencies regularly evaluate the Issuer and the ratings of its long-term debt are based on a number of factors, including capital adequacy levels, quality of earnings, business position, credit exposure, funding and liquidity risks, the risk management framework as well as the sovereign ratings and the macro risk profiles for its country of incorporation and that of its operating jurisdictions. These parameters and their possible impact on the Issuer's credit rating are monitored closely and incorporated into its liquidity risk management and contingency planning considerations. In particular, as rating agencies impose a cap on the Issuer's rating at the level of the sovereign rating, a change to the sovereign rating will, therefore, impact the Issuer's rating.

In addition, a downgrade or potential downgrade of the South African sovereign rating or a change in rating agency methodologies relating to systemic support provided by the South African sovereign could also negatively affect the perception by rating agencies of the Issuer's rating. Any downgrade in the Issuer's credit rating would likely increase its borrowing costs and require the Issuer to post additional collateral or take other actions under some of its derivatives contracts, and could limit the Issuer's access to capital markets.

There can also be no assurance that the rating agencies will maintain the Issuer's current ratings or outlooks or those of South Africa. Failure to maintain favourable ratings and outlooks could increase the Issuer's cost of funding and adversely affect interest margins, which could have a material adverse effect on the Issuer. Ratings are not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. Each rating should be evaluated independently of any other rating.

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes, for example, fraud and criminal activity (internal and external), project risk, legal risk, business continuity, information and IT risk, process and human resources risk.

The Issuer may suffer a failure or interruption in or breach of its information technology systems

Information technology ("IT") risk encompasses both IT risk and IT change risk. The Issuer's IT risk refers to the risk associated with the use, ownership, operation, involvement, influence and adoption of IT within the Bank. It consists of IT-related conditions that could potentially impact the business. IT change risk refers to the risk arising from changes, updates or alterations made to the IT infrastructure, systems or applications that could affect service reliability and availability.

The Issuer's main IT risks include the failure or interruption of critical systems, cybercrime, unauthorised access to systems and the inability to serve its customers' needs in a timely manner.

The Issuer has a high dependency on its IT systems and operations infrastructure to conduct its business. The Issuer regards these systems as critical to improving productivity and maintaining the Bank's competitive edge. Any failure, interruption or breach in security of these systems could result in failures or interruptions in its risk management, general ledger, deposit servicing, loan servicing, debt recovery, payment custody and/or other important systems. If the Issuer's information systems fail, even for a short period of time, it could be unable to serve some or all customers' needs on a timely basis which could result in a loss of business. In addition, a temporary shutdown of the Issuer's information systems could result in costs that are required for information retrieval and verification. The occurrence of any failures or interruptions in the Issuer's IT systems and operations infrastructure could have a materially adverse effect on the Issuer's business, financial condition and/or results of operations.

Cyber-crime could have a negative impact on the Issuer's operations

The Issuer's operations are dependent on its own IT systems and those of its third-party service providers. The Issuer could be negatively impacted by cyber-attacks on any of these. As the Issuer moves banking to the digital and mobile world, the risk of cyber-crime increases, especially as infiltrating technology is becoming increasingly sophisticated, and there can be no assurance that the Issuer will be able to prevent all threats.

The Issuer may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose it to additional liability and have a material adverse effect on it

The Issuer is required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in South Africa. These laws and regulations require the Issuer, among other things, to adopt and enforce anti-money laundering and counter terrorist financing ("AML/CTF") policies and procedures and to report suspicious and unusual transactions terrorist activity and cash threshold reports to the Financial Intelligence Centre. While the Issuer has adopted policies and procedures aimed at detecting and preventing the use of its banking platforms for money laundering and terrorist financing activities by terrorists and terrorist-related organisations and individuals generally, such policies and procedures may not completely eliminate instances in which the Issuer may be used by other parties to engage in money laundering or other illegal or improper activities. To the extent the Issuer may fail to fully comply with applicable laws and regulations, the relevant government agencies to which it reports have the power and authority to impose fines and other penalties on the Issuer. In addition, the Issuer's business and reputation could suffer if customers use it for money laundering or illegal or improper purposes.

For more information relating to applicable AML/CTF policies and procedures, see "*The Banking Sector in South Africa—Regulation*".

The Issuer's business is subject to its ability to quickly adapt to disruptions while maintaining continuous business operations

The Issuer has established a business resilience policy and standards to govern business continuity (including disaster recovery) and to improve the capability of the business to effectively respond to disruptive events from internal failures or external events. This is achieved through the business continuity strategies including regular review of business continuity plans (including disaster recovery) and testing. Any failure in the continuity of the Issuer's operations and services could have a materially adverse effect on its business, financial condition and/or results of operations.

The Issuer's risk management policies and procedures may not have identified or anticipated all potential risk exposures

The Issuer has devoted significant resources to developing its risk management policies and procedures, particularly in connection with credit, concentration and liquidity risks, and expects to continue to do so in the future. Nonetheless, its risk management techniques may not be fully effective in mitigating its risk exposure in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some of the Issuer's methods of managing risk are based upon its use of observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be greater than historical measures indicate. Other risk management methods depend upon evaluation of information regarding the markets in which the Issuer operates, its clients or other matters that are publicly available or otherwise accessible by the Issuer. This information may not be accurate in all cases, complete, up-to-date or properly evaluated. Any failure arising out of the Issuer's risk management techniques may have an adverse effect on the results of its operations and financial condition.

Competitive Landscape

The Issuer is subject to significant competition from other major banks operating in South Africa, including competitors such as international banks that may have greater financial and other resources, particularly in the corporate and investment banking market. Many of these banks operating in the Issuer's markets compete for substantially the same customers as the Issuer. The Issuer also faces competition from other non-bank entities that increasingly provide similar services to those offered by banks, e.g. fintech companies, insurers, retailers, cellphone companies and shadow banking players. Increased competition from non-bank entities in the money and capital markets could impact the Issuer's ability to attract funding.

Increasing competition could also require that the Issuer increases its rates offered on deposits or lower the rates it charges on loans, which could also have a material adverse effect on the Issuer, including its profitability. Although the Issuer's financial resource management approach requires it to price appropriately for financial resources, should competitive forces prevent the Issuer from pricing for these resources appropriately it may withdraw from offering certain products which may also negatively affect the Issuer's business results and prospects, by, among other things, limiting its ability to generate revenue, increase its customer base and expand its operations.

If the Issuer's customer service levels were perceived by the market to be materially below those of its competitor financial institutions, the Issuer could lose existing and potential business. If the Issuer is not successful in retaining and strengthening customer relationships, the Issuer may lose market share, incur losses on its activities, fail to attract new deposits or retain existing deposits which could have a material adverse effect on its operating results, financial condition and prospects.

The Issuer is subject to capital and liquidity requirements that could affect its operations

The Issuer is subject to capital adequacy guidelines adopted by the SARB, which provide for a minimum capital requirements for Common Equity Tier 1 ("CET1"), Tier 1 and Total Capital. Any failure by the Issuer to maintain its minimum capital requirements may result in restrictions placed on distributions, as well actions against the Issuer, which may in turn impact on its ability to fulfil its obligations under the Notes.

The amended Regulations Relating to Banks (as further amended on 20 May 2016) (the "**Regulations**") effective 1 January 2013 are based on the Basel III framework and provide the minimum risk based capital

ratios. The SARB minimum ratios have been phased in since 2013 and will be fully implemented in 2019 in line with Basel III. The minimum common equity tier 1 ratio for 2017 is 7.75 per cent. increasing, to 8.5 per cent. in 2019. The minimum tier 1 ratio for 2017 is 9.25 per cent. increasing to 10.75 per cent. in 2019. The minimum 2017 total capital adequacy ratio is 12 per cent. increasing to 14 per cent. in 2019. These minimum ratios exclude the countercyclical buffer and confidential bank-specific pillar 2b capital requirement, but include the maximum potential domestic systemically important bank ("**D-SIB**") requirement, which is also bank-specific and therefore confidential.

The Basel III capital buffers continue to make it more challenging for banks to comply with minimum capital ratios. Failure by the Issuer to meet certain of these buffers, for example the capital conservation and countercyclicality buffers, could result in restrictions being placed on distributions, including dividends and discretionary payments, and any failure by the Issuer to maintain its capital ratios may result in action taken in respect of the Issuer, which may in turn impact on its ability to fulfil its obligations under the Notes.

In addition, Basel III prescribes two minimum liquidity standards for funding and liquidity. The first is the liquidity coverage ratio ("**LCR**") which became effective on 1 January 2015 and aims to ensure that banks maintain an adequate level of high-quality liquid assets to meet liquidity needs for a 30 calendar day period under a severe stress scenario. The second is the net stable funding ratio ("**NSFR**") which became effective on 1 January 2018 and aims to promote medium and long-term funding of banks' assets and activities.

South Africa, as a G20 country and a Basel Committee on Banking Supervision ("**Basel Committee**") member country, commenced with the phasing-in of the Basel III LCR framework on 1 January 2015 and it will continue to implement the accord up to 1 January 2019 in line with timelines determined by the Basel Committee. The Issuer reported a LCR of 101 per cent. as at 31 December 2017 (105 per cent. as at 30 June 2017), exceeding the SARB's minimum phase-in requirement of 80 per cent. The SARB's minimum LCR requirement increased to 90 per cent. on 1 January 2018.

The SARB has approved the 2017 committed liquidity facility ("**CLF**") which will be available to banks to assist banks to meet the LCR. The SARB's approach to the CLF and other related conditions for the period from 1 December 2017 to 30 November 2018 is detailed in, *inter alia*, Guidance Note 5 of 2017 (Provision of a committed liquidity facility by the SARB). The SARB is expected to include the CLF in NSFR with 5 per cent. required stable funding.

Given the structural funding profile of South Africa's financial sector, the South African banking sector (including the Issuer) will, based on their current funding profiles, experience difficulty in complying with the Basel III NSFR requirement. The Issuer therefore supports the amended framework issued by the SARB in August 2016, whereby funding received from financial corporates, excluding banks, maturing within six months receives an available stable funding factor of 35 per cent. The Issuer, together with the local banking industry, continues to engage, through the Banking Association of South Africa ("**BASA**") with the SARB on the remaining items requiring clarification and to explore market-based solutions to ensure that the NSFR framework aligns to local industry conditions and requirements.

Changing regulatory environment

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

Applicable laws and other requirements, as amended from time to time, include:

- Banks Act, 1990 and related Regulations;
- Companies Act, 2008;
- King Code of Governance Principles for South Africa 2016 (King IV);
- Competition Act, 1998;

- Collective Investment Schemes Control Act, 2002;
- Financial Intelligence Centre (FIC) Act, 2001 and the Financial Intelligence Centre Amendment Act, 2017;
- Long-term Insurance Act, 1998;
- Short-term Insurance Act, 1998;
- Financial Advisory and Intermediary Services (FAIS) Act, 2002;
- National Credit Act (NCA), 2005;
- Consumer Protection Act, 2008;
- JSE rules and directives;
- Financial Markets Act, 2012;
- Foreign Account Tax Compliance Act;
- Protection of Personal Information Act (PoPIA), 2013;
- Prevention of Corrupt Activities Act, 2004; and
- Financial Sector Regulation Act, 2017.

The Issuer is also subject to any applicable regulatory instruments issued pursuant to any of the abovementioned legislation.

In accordance with its Basel III and G20 commitments, the SARB is developing a resolution framework. The framework has not yet been published or finalised, only once finalised will banks be in a better position to fully assess the potential impact of the resolution framework on the South African banking market

During May 2017, the SARB's Financial Stability Department released a discussion document on designing a deposit insurance scheme ("**DIS**") for South Africa. As a member of the G20, South Africa has agreed to adopt the Financial Stability Board's "Key Attributes of Effective Resolution Regimes for Financial Institutions", one of which requires jurisdictions to have a privately-funded depositor protection and/or a resolution fund in place. The paper advocates the need for an explicit, privately-funded DIS for South Africa, the main objective being the protection of less financially sophisticated depositors in the event of a bank failure. It presents proposals on the key design features of such a DIS and aims to solicit views on these proposals. The paper also refers to the discussion paper titled "Strengthening South Africa's Resolution Framework for Financial Institutions", published by National Treasury on 13 August 2015. The May 2017 discussion paper was open to public comment until 31 August 2017. The proposed resolution framework, incorporating the DIS, is expected to form the comprehensive regulatory architecture for reducing the social and economic cost of failing financial institutions. In January 2018, a draft resolution framework was released to the financial services industry for initial review following which it will be released to the public for general comment. This draft framework sets out the broad principles for the resolution of banks, systemically-important non-bank financial institutions and holding companies of banks, and highlights the various legislative amendments required to ensure the framework is enforceable. Detailed definitions of key elements of the resolution framework are subject to finalisation, and directives or addendums to this framework will be published once finalised. The resolution framework will allow the Prudential Authority to prepare for an event for which the institution's recovery actions have failed or are deemed likely to fail. Bank resolution plans will be owned and maintained by the Resolution Authority (a proposed new unit in SARB), but will require a significant amount of bilateral engagement and input from individual banks to enable the Prudential Authority to develop a customised plan that is most appropriate to each bank.

The Issuer may be unable to recruit, retain and motivate key personnel

An engaged workforce is critical to the successful delivery of the Issuer's objectives. The Issuer's performance is dependent on key personnel. The Issuer's continued ability to compete effectively and further grow its businesses also depends on its ability to attract new staff. In relation to the development and training of new

employees, the Issuer is reliant on the continued development of South Africa's educational sector, including access to facilities and educational programmes by future employees.

Terrorist acts, hostility arising from competing political groups, acts of war, and other types of event risk could have a negative impact on the business

Acts of terrorism, hostility from competing political parties, acts of war, government expropriation or confiscatory acts, currency inconvertibility, financial market closure, health pandemics and other types of event risk and responses to those acts and events, may have both direct and indirect negative impacts on the economic conditions of South Africa, the rest of Africa and internationally, and more specifically on the business and results of the Issuer in ways that cannot be predicted.

Risks relating to South Africa

Risk relating to Emerging Markets

South Africa is an emerging market with significant socio-economic challenges. Investors in emerging markets such as South Africa should be aware that these markets carry risks which are different from those which apply to investment in more developed markets. These risks include economic and financial market volatility which may be exacerbated by global economic volatility, as well as, in some cases, significant legal and political risks.

Economic and financial market volatility in South Africa has been caused by many different factors, including:

- high interest rates;
- changes in currency values;
- high levels of inflation;
- industrial action;
- commodity price fluctuations;
- the slowdown in the economic activity of its trading partners;
- changes in economic and tax policies;
- the imposition of trade barriers;
- wide current account deficit;
- capital outflows;
- perceived or actual security issues; and
- general social, economic, political and business conditions.

Any of these factors, amongst others, as well as volatility in the markets for securities similar to the Notes, may adversely affect the value or liquidity of the Notes.

Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved, and prospective investors are urged to consult with their own legal and financial advisors before making an investment in the Notes.

Investors should also note that developing markets, such as South Africa, are subject to rapid change.

Regulatory Environment

The Issuer is subject to government regulation in South Africa. Regulatory agencies have broad jurisdiction over many aspects of the Issuer's business, which may include capital adequacy, premium rates, marketing and selling practices, advertising, licensing agents, policy forms, terms of business and permitted investments.

Changes in government policy, legislation or regulatory interpretation applying to the financial services industry in the markets in which the Issuer operates may adversely affect the Issuer's product range, distribution channels, capital requirements, environmental and social obligations and, consequently, reported results and financing requirements. In particular, any change in regulation to increase the requirements for capital adequacy or liquidity, or a change in accounting standards, could have a material adverse impact on the Issuer's business, results, financial condition or prospects.

During 2011, the Government issued a policy paper, "A Safer Financial Sector to Serve South Africa Better", which articulated its strategic regulatory objectives. The document identified four policy priorities to reform the financial sector, namely: financial stability; consumer protection and market conduct; expanding access of financial services through inclusion; and combating financial crime. Achieving these objectives evidently necessitated a change in the South African regulatory landscape from both a structural and a policy perspective including the introduction of a "Twin Peaks" approach to financial sector regulation. In terms of the Twin Peaks approach, equal focus is placed on prudential and market conduct regulation with separate but equally important focus on financial stability. A phased-in approach is being followed for the implementation of the Twin Peaks system of financial regulation in South Africa. This new framework and related requirements give rise to additional complexities for financial services and product providers in managing regulatory risks and the Issuer will continue to work closely with its regulators on matters pertaining to the above.

The implementation of a "Twin Peaks" approach to financial sector regulation is primarily aimed at the enhancement of systemic stability, improving market conduct regulation, sound micro- and macro prudential regulation and strengthening of the operational independence, governance and accountability of regulators. Aligned to the purpose and object of the Financial Sector Regulation Act, 2017, it is expected that financial stability considerations as well as financial sector regulatory requirements will, going forward, be further expanded to align to international developments in this regard.

The Financial Sector Regulation Act, 2017 ("**FSR Act**") which was signed into law on 21 August 2017, gives effect to the government decision in 2011 to shift to a Twin Peaks model of financial sector regulation for South Africa. Different sections of the FSR Act will come into effect on different dates, to coincide with the establishment of the two regulators, namely the Financial Sector Conduct Authority ("**FSCA**") and the Prudential Authority ("**PA**"). The PA, which is one of the key two pillars of the new architecture for the regulation of the financial sector, takes effect on 1 April 2018 whilst the Minister of Finance will make further announcements on when different provisions of the FSR Act will become effective. The FSR Act also provides for Ministerial Regulations to be issued in order to facilitate transitional arrangements. Draft Regulations to this effect will be published for public consultation.

The FSR Act intends to achieve, among other things, a financial system which functions in the interest of financial customers and supports balanced and sustainable economic growth, by establishing, in conjunction with other financial sector laws, a regulatory and supervisory framework that promotes financial stability, the safety and soundness of financial institutions, the fair treatment and protection of financial customers, the efficiency and integrity of the financial system, the prevention of financial crime, financial inclusion, transformation of the financial sector and confidence in the financial system. In addition, the FSR Act requires cooperation and collaboration between the financial sector regulators, the National Credit Regulator, the Financial Intelligence Centre and the South African Reserve Bank.

Exchange Controls

Foreign-derived loan capital or equity capital may be introduced into South Africa through a formal system of exchange control as summarised under "*The Banking Sector in South Africa—Exchange Control*" on page 127 of this Base Prospectus. The proceeds from the sale of assets in South Africa owned by a non-resident requires prior exchange control approval before they may be remitted to the non-resident vendor abroad which approval will depend on the exchange control policy in force prevailing at that point.

Since 1995, certain exchange controls in South Africa have been relaxed. The extent to which the South African Government (the "**Government**") may further relax such exchange controls cannot be predicted with certainty, although the Government has committed itself to a gradual approach of relaxation. Further relaxation, or abolition of exchange controls may precipitate a change in the capital flows to and from South Africa. If the net result of this were to cause large capital outflows, this could adversely affect the Issuer's business and it could have an adverse effect on the financial condition of the Issuer as a whole. In the event of the immediate abolition of exchange control there may be a sudden withdrawal of Rand from the South African market by investors. Because South Africa has a fully-floating exchange rate and a flexible interest rate policy, this would result in a rapid depreciation of the Rand exchange rate which would serve to stem the flight and would also result in an increase in interest rates due to the depreciation of the Rand. The SARB would sell reserves to protect the value of the Rand. Such reserve activity by the SARB is likely to be sterilised and as such should not have a significant impact on inflation.

Risks Relating to the Notes

There is no active trading market for the Notes

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes issued under the Programme to be admitted to listing on the Official List of the UK Listing Authority and to trading on the regulated market of the London Stock Exchange, there is no assurance that such applications will be accepted, that any particular Tranche of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

The Notes may be redeemed prior to maturity

Unless in the case of any particular Tranche of Notes the relevant Final Terms specify otherwise, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of South Africa or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Conditions. In respect of any Tier 2 Notes, the Issuer may also redeem all outstanding Notes in the event of a Tax Event (Deductibility) or a Regulatory Event (each as defined in Condition 2).

In addition, if in the case of any particular Tranche of Notes the relevant Final Terms specify that the Notes are redeemable at the Issuer's option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes (or is perceived to be able to elect to redeem the Notes), the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes. Potential investors should consider reinvestment risk in light of other investments available at that time. Any redemption of Tier 2 Notes prior to their Maturity Date requires the prior written approval of the Relevant Regulator (as defined below in "*Risks relating to the Tier 2 Notes – Capital Regulations*").

Because the Global Note Certificates are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer

Notes issued under the Programme may be represented by one or more Global Note Certificates. Such Global Note Certificates will be deposited with a common depository for Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**") and registered in the name of its nominee. Except in

the circumstances described in the relevant Global Note Certificate, investors will not be entitled to receive Individual Note Certificates. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Note Certificates. While the Notes are represented by one or more Global Note Certificates, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Note Certificates the Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note Certificate must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Note Certificates.

Holders of beneficial interests in the Global Note Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Note Certificates will not have a direct right under the Global Note Certificates to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under the Deed of Covenant (defined below).

Credit Rating

Tranches of Notes issued under the Programme may be rated or unrated. If a credit rating is assigned to any issue of Notes, the credit rating may not reflect the potential impact of all risks related to structure, market, additional factors discussed herein, and other factors that may affect the value of the Notes. Noteholders should note that if any Tranche of Notes issued under the Programme is the subject of an unsolicited credit rating this may be more or less favourable than any credit rating solicited by the Issuer and specified in the relevant Final Terms (or, the relevant Pricing Supplement, in the case of Exempt Notes).

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could adversely affect the trading price for the Notes issued under the Programme.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Modification

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of law

The Notes, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law, save that Conditions 5(b) (*Status of Tier 2 Notes*), 5(d) (*Non-Viability Loss Absorption*), 5(e) (*Disapplication of the Non-Viability Loss Absorption Condition*) and 11(e) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes and exercise of the Amendment Option*) are governed by, and shall be construed in accordance with, South African law. No assurance can be given as to the impact of any possible judicial decision or change to English or South African law or administrative practice in such jurisdiction after the date of this Base Prospectus. Such changes in South African law may include, but are not limited to, the introduction of a variety of statutory resolution and loss-

absorption tools which may affect the rights of holders of securities issued by the Issuer, including the Tier 2 Notes. See also "*Risks relating to the Tier 2 Notes—Loss Absorption at the Point of Non-viability of the Issuer*".

The Notes may be delisted, which may materially affect an investor's ability to resell

Any Notes that are listed on the London Stock Exchange or any other listing authority, stock exchange or quotation system may be delisted. If any Notes are delisted, the relevant Issuer is obliged to use all reasonable endeavours to obtain an alternative listing. Although no assurance is made as to the liquidity of the Notes as a result of listing on the London Stock Exchange or any other listing authority, stock exchange or quotation system, delisting the Notes may have a material adverse effect on a Noteholder's ability to resell the Notes in the secondary market.

Exchange rate risks

The Issuer will pay principal and interest on the Notes in the Specified Currency (as defined in the relevant Final Terms or, in the case of Exempt Notes, the relevant Pricing Supplement). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes. Similarly, the Issuer may be exposed to potential losses if the Specified Currency were to depreciate against key currencies in which the Issuer's revenues are based, which may have an adverse effect on its financial condition and results of operations.

Denominations

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a nominal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a nominal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Definitive notes will only be issued if (a) Euroclear or Clearstream, Luxembourg (or other relevant clearing system) is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 14.1 (*Events of Default*) or, in the case of Tier 2 Notes, Condition 14.2 (*Events of Default relating to Tier 2 Notes*) occurs.

The regulation and reform of "benchmark" rates of interest and indices may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be or used as "benchmarks", are the subject of recent national and international regulatory guidance and proposals for reform, particularly in the United Kingdom. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a benchmark. Regulation (EU) 2016/1011 (the "**Benchmarks Regulation**") was published in the Official Journal of the European Union on 29 June 2016 and took effect from 1 January 2018 (with the exception of provisions specified in Article 59 (mainly on critical benchmarks) that apply from 30 June 2016 and 3 July 2016). The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input

data to a benchmark and the use of a benchmark within the European Union (the "EU"). It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a benchmark, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the international or national reforms, particularly in the United Kingdom, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. For example, see *"Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR or Tier 2 Notes where any applicable Reset Rate of Interest will be determined on the basis of a 5-year Mid Swap Rate which has LIBOR as an input"* below in relation to the London interbank offered rate ("**LIBOR**"). Such factors may have the following effects on certain benchmarks: (i) discourage market participants from continuing to administer or contribute to the benchmark; (ii) trigger changes in the rules or methodologies used in the benchmark; or (iii) lead to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international reforms, particularly in the United Kingdom or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a benchmark.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation or any other international reforms, particularly in the United Kingdom, in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR or Tier 2 Notes where any applicable Reset Rate of Interest will be determined on the basis of a 5-year Mid Swap Rate which has LIBOR as an input

On 27 July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority (the "**FCA**"), which regulates LIBOR, announced that the FCA does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences that cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or is otherwise unavailable, the rate of interest on Notes which reference LIBOR (including Tier 2 Notes where any Reset Rate of Interest is to be determined on the basis of a 5-year Mid Swap Rate which has LIBOR as an input and no longer appears on the relevant Swap Rate Screen Page) will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR rate (or, in the case of Tier 2 Notes, the 5-year Mid Swap Rate) is to be determined under the Conditions, this may in certain circumstances (i) be reliant upon the provision by reference banks of offered quotations for LIBOR (or, in the case of Tier 2 Notes, the 5-year Mid Swap Rate), which, depending on market circumstances, may not be available at the relevant time or (ii) result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR (or, in the case of Tier 2 Notes, the 5-year Mid Swap Rate) was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any floating rate Notes which reference LIBOR or Tier 2 Notes where any applicable Reset Rate of Interest is to be determined on the basis of a 5-year Mid Swap Rate which has LIBOR as an input.

Risks relating to the Tier 2 Notes

Substitution or Variation of Tier 2 Notes upon the occurrence of a Tax Event (Gross Up), Tax Event (Deductibility) or a Regulatory Event

Where specified in the relevant Final Terms (or, in the case of Exempt Notes, the relevant Pricing Supplement), upon the occurrence and continuation of a Tax Event (Gross Up), Tax Event (Deductibility) or Regulatory Event (each as defined in Condition 2 (*Interpretation*)), the Issuer may, subject as provided in Condition 11(l) (*Substitution or Variation*) and without the need for any consent of the Noteholders, substitute all (but not some only) of any Series of Tier 2 Notes, or vary the terms of all (but not only some) such Notes so that they remain or, as appropriate, become, Qualifying Tier 2 Securities (as defined in Condition 2 (*Interpretation*)).

Qualifying Tier 2 Securities are securities issued directly by the Issuer that have, *inter alia*, terms not materially less favourable to investors than the terms of the Notes being substituted or varied (as reasonably determined by the Issuer in consultation with an investment bank or financial adviser of international standing (which in either case is independent of the Issuer)) in accordance with the Conditions. However, there can be no assurance that, due to the particular circumstances of each Noteholder, any Qualifying Tier 2 Securities will be as favourable to each Noteholder in all respects as the terms of the relevant Notes being substituted or varied.

Early Redemption of Subordinated Notes upon the occurrence of a Tax Event (Gross Up), Tax Event (Deductibility) or a Regulatory Event

Upon the occurrence and continuation of a Tax Event (Gross Up), Tax Event (Deductibility) or a Regulatory Event (each as defined in Condition 2 (*Interpretation*)), but subject to Condition 11(e) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes and exercise of the Amendment Option*), the Issuer may, at its option, redeem all (but not some only) of the Tier 2 Notes at the relevant Redemption Amount as specified in the relevant Final Terms (or, in the case of Exempt Notes, the relevant Pricing Supplement) and/or determined in the manner specified in the Conditions, as applicable. There can be no assurance that holders of Tier 2 Notes will be able to reinvest the amounts received upon redemption at a rate that will provide the same rate of return as their investments in the Tier 2 Notes.

The Issuer's obligations under Tier 2 Notes are subordinated

The Issuer's obligations under Tier 2 Notes will be unsecured and subordinated and will, in the event that the Issuer is placed into curatorship, liquidation or is wound-up (or is subject to analogous proceedings), be subordinated to the claims of Depositors and all creditors in respect of Senior Obligations (each as defined in Condition 2 (*Interpretation*)).

Waiver of set-off

In the event the Issuer is placed into liquidation, curatorship or wound-up (or is subject to analogous proceedings), the Conditions provide that a Tier 2 Noteholder may not exercise or claim any right of set-off in relation to unpaid principal and/or interest in respect of any Tier 2 Notes before the claims of all Depositors and Senior Creditors of the Issuer have been paid or discharged in full, as further described in Condition 5(b) (*Status of the Tier 2 Notes*). However, Tier 2 Noteholders should note that their right to exercise set-off during any liquidation, curatorship or winding-up (or analogous proceedings) of the Issuer, even after the claims of such Depositors and Senior Creditors have been paid or discharged in full, may be limited under South African law.

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

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

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

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

In addition, the rights of Tier 2 Noteholders are limited in certain respects. In particular, if the Issuer defaults on a payment of any amount due in respect of a Tier 2 Note for a period of 7 days or more, the holder of such Tier 2 Note may only institute proceedings for the winding-up of the Issuer (and/or prove in any winding-up of the Issuer) but take no other action in respect of that default. Only if an order is made or an effective resolution is passed for the winding-up of the Issuer (other than pursuant to a Solvent Reconstruction (as defined in Condition 2(a))) shall the holder of a Tier 2 Note be able to declare (upon written notice) such Tier 2 Note immediately due and payable.

Accordingly, although Tier 2 Notes may pay a higher rate of interest than comparable Notes which are not subordinated, there is a real risk that an investor in Tier 2 Notes will lose all or some of its investment should the Issuer become insolvent.

Capital Regulations

In order for the proceeds of the issuance of Tier 2 Notes to qualify as Tier 2 Capital the Tier 2 Notes must comply with the applicable Capital Regulations in respect of any Tranche of Tier 2 Notes, where "**Capital Regulations**" means, at any time, any capital adequacy rules, legislation, regulations, requirements, guidance notes and policies relating to capital adequacy then in effect in South Africa in relation to banks registered under the Banks Act and licensed to conduct the business of a bank in South Africa (and where relevant, the rules applicable specifically to the Issuer) as applied by the Registrar of Banks (or any successor or replacement thereto, or any other authority having primary responsibility for the prudential oversight and supervision of the Issuer) (the "**Relevant Regulator**"), or, if the Issuer becomes domiciled in a jurisdiction other than South Africa, any capital adequacy rules, legislation, regulations, requirements, guidance notes and policies relating to capital adequacy then in effect in such other jurisdiction in relation to banks registered and licensed to conduct the business of a bank in such other jurisdiction (and where relevant, the rules applicable specifically to the Issuer) as applied by the Relevant Regulator. See also "*Early Redemption of Subordinated Notes upon the occurrence of a Tax Event (Gross Up), Tax Event (Deductibility) or a Regulatory Event*" above.

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

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

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

- (a) the governing jurisdiction of the bank has in place laws that (i) require such tier 1 and tier 2 instruments to be written off upon such event, or (ii) otherwise require such instruments to fully absorb losses before tax payers are exposed to loss (a "**Statutory Loss Absorption Regime**");
- (b) a peer group review confirms that the jurisdiction conforms with paragraph (a) above; and

- (c) it is disclosed by the relevant regulator and by the issuing bank, in issuance documents going forward, that such instruments are subject to loss under paragraph (a) above.

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

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

The SARB has provided some clarity on the loss absorbency requirements contemplated in the Regulations Relating to Banks in Guidance Note 2 of 2012 (*Matters related to the implementation of Basel III*), Guidance Note 6 of 2017 (*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital instruments*) ("**Guidance Note 7**") and Circular 6 of 2014 (*Interpretation of specified conditions for the issuing of instruments or shares which rank as additional tier 1 capital and tier 2 capital*), and has indicated that it, together with the National Treasury, is in the process of drafting legislation that will provide for a detailed Statutory Loss Absorption Regime. No official statement has however been made as to when the Statutory Loss Absorption Regime will be implemented in South Africa. The SARB has also provided detail in relation to its approach to bank recovery and outlined the phased-in approach to be followed in relation to the development of bank resolution plans in Guidance Note 4 of 2012 (Further guidance on the development of recovery and resolution plans by South African banks). These Guidance Notes are broadly drafted and require further refinement, and market participants continue to discuss the Regulations Relating to Banks and the Guidance Notes with the SARB. Paragraph 1.3 of Guidance Note 6 provides that the SARB will continue to monitor international developments around loss absorbency requirements, and if necessary, will issue further guidance.

Guidance Note 6 requires banks to indicate, in the contractual terms and conditions of any tier 2 capital instruments ("**tier 2 instruments**") issued, whether such instruments would be either written-off or converted into the most subordinated form of equity of the bank and/or its controlling company (such conversion, "**Conversion**") at the occurrence of a trigger event determined at the Registrar of Bank's discretion, as envisaged in Regulation 38(12)(a)(i) of the Regulations Relating to Banks. To the extent that any tier 2 instruments are issued prior to the commencement of the Statutory Loss Absorption Regime, such tier 2 instruments will have to contractually provide for write-off or Conversion at the discretion of the Registrar of Banks at the occurrence of a trigger event (as write-off and Conversion are understood and applied in terms of the regulatory framework applicable at the time of the issuance of such tier 2 instruments). Accordingly, the Conditions for Tier 2 Notes provide for the Write-off (as defined in Condition 2 (*Interpretation*)) of such Tier 2 Notes in accordance with the Capital Regulations upon the occurrence of a Non-Viability Event (see Condition 4(d) (*Non-Viability Loss Absorption*)), subject to Condition 4(e) (*Disapplication of Non-Viability Loss Absorption Condition*).

Notwithstanding the above, paragraph 6.3 of Guidance Note 6 provides that banks have the option to elect to have the contractual terms and conditions of any tier 2 instruments issued prior to the implementation of the Statutory Loss Absorption Regime dealing with write-off and/or Conversion replaced with the Statutory Loss Absorption Regime upon its commencement. Accordingly, Condition 4(e) (*Disapplication of Non-Viability Loss Absorption*) provides that the Issuer may elect to apply such Statutory Loss Absorption Regime to Tier 2 Notes in the event of a Non-Viability Event, subject to Condition 11(e) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes and exercise of the Amendment Option*).

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

Whether regulated by the contractual terms and conditions or the Statutory Loss Absorption Regime, clause 2.6 of Guidance Note 7 provides that write-off or Conversion of tier 2 instruments will only occur to the extent

deemed by the Registrar of Banks as necessary to ensure that the relevant bank is viable, as specified in writing by the Registrar of Banks. Accordingly, any write-off or Conversion of the Tier 2 Notes will generally be effected to ensure compliance with these minimum requirements only. Any write-offs or Conversions will also be subject to any restrictions on holding shares in a bank and/or a controlling company of a bank under South African law.

Payment of any amounts of principal and interest in respect of Tier 2 Notes will be cancelled or written-off upon the occurrence of a Non-Viability Event

Upon the occurrence of a Non-Viability Event (as defined in Condition 2 (*Interpretation*)), Tier 2 Notes will be cancelled (in the case of a Write-off in whole) or written-off in part on a *pro rata* basis (in the case of a Write-off in part) in accordance with the Capital Regulations.

Further to such cancellation or Write-off, Tier 2 Noteholders will no longer have any rights against the Issuer with respect to any amounts cancelled or written off and the Issuer shall not be obliged to pay compensation in any form to Tier 2 Noteholders in respect of such cancellation or Write-off. Furthermore, any such cancellation or Write-off will not constitute an Event of Default or any other breach of the Issuer's obligations under the Conditions of any Tier 2 Notes.

A Non-Viability Event will occur when the Relevant Regulator has notified the Issuer that it has determined that a "trigger event" as specified in the Capital Regulations has occurred. A "trigger event" in the Capital Regulations is described as being, at a minimum, the earlier of:

- (a) a decision that a write-off, without which the Issuer (on a consolidated basis or as otherwise required by the Capital Regulations) would become non-viable, is necessary, as determined and notified by the Relevant Regulator; or
- (b) a decision to make a public sector injection of capital, or equivalent support, without which the Issuer (on a consolidated basis or as otherwise required by the Capital Regulations) would have become non-viable, as determined and notified by the Relevant Regulator.

The occurrence of a Non-Viability Event is therefore inherently unpredictable and depends on a number of factors, many of which are outside of the Issuer's control.

In addition, as a result of the risk that Tier 2 Notes will be cancelled or written-off in part upon the occurrence of a Non-Viability Event, the market price (if any) of Tier 2 Notes may be more volatile than the market prices of other debt securities that are not subject to such a risk of cancellation and/or write-off, and may be more sensitive generally to adverse changes in the Issuer's financial condition.

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

The investment in, and disposal or write-off upon the occurrence of a trigger event of, Tier 2 Notes, may have considerable tax consequences in the hands of the Tier 2 Noteholders, the Issuer or both. As any such potential consequences depend on various factors, prospective investors in Tier 2 Notes are strongly advised to consult their own professional advisers as to the tax consequence of investing in Tier 2 Notes, and particularly as to whether a disposal or write off of Tier 2 Notes will result in an income tax liability. See "*South African Taxation*" in the section entitled "*Taxation*" on pages 128 to 131 of this Base Prospectus.

INFORMATION INCORPORATED BY REFERENCE

The following information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- (1) the audited non-consolidated financial statements (including the accounting policies, audited financial statements and notes thereto) of the Issuer (the "**2017 Audited Financial Statements**") and the auditors' report thereon in respect of the year ended 30 June 2017, set out on pages C01 to C182 of the Issuer's annual report for the year ended 30 June 2017 (the "**2017 FirstRand Bank Annual Report**");
- (2) the audited non-consolidated financial statements (including the accounting policies, audited financial statements and notes thereto) of the Issuer (the "**2016 Audited Financial Statements**", and together with the 2017 Audited Financial Statements, the "**Audited Financial Statements**") and the auditors' report thereon in respect of the year ended 30 June 2016, set out on pages C01 to C167 of the Issuer's annual report for the year ended 30 June 2016 (the "**2016 FirstRand Bank Annual Report**");
- (3) the following sections of the Issuer's unaudited and unreviewed condensed analysis of financial results for the six month period ended 31 December 2017 (the "**H1 December 2017 Analysis of Financial Results**"):
 - (i) Condensed Income Statement – Normalised on page 5;
 - (ii) Overview of Results on pages 9-10;
 - (iii) Net Interest Income (Before Impairment of Advances) on page 34;
 - (iv) Credit Highlights on pages 39-42;
 - (v) Non-Interest Revenue on pages 43-45;
 - (vi) Operating Expenses on pages 46-47;
 - (vii) Credit on pages 53-67;
 - (viii) Funding and Liquidity on pages 69-77;
 - (ix) Capital on pages 78-82; and
 - (x) The Presentation section and reconciliations set out on pages 86-89 and 96-98, respectively.
- (4) the following sections of the Issuer's analysis of financial results which are set out in the 2017 FirstRand Bank Annual Report (the "**2017 Analysis of Financial Results**"):
 - (i) Summary Income Statement – Normalised on page A12;
 - (ii) Overview of Results on pages A16-A17;
 - (iii) Net Interest Income (Before Impairment of Advances) on page A36;
 - (ii) Credit Highlights on pages A41-A43;
 - (iii) Non-Interest Revenue on pages A44-A46;
 - (iv) Operating Expenses on pages A47-A48;
 - (v) Credit on pages A53-A67;
 - (v) Funding and Liquidity on pages A69-A76;

- (vi) Capital on pages A77-A81; and
 - (viii) Presentation and Reconciliations on pages A84-A89.
- (5) the following sections of the Issuer's analysis of financial results which are set out in the 2016 FirstRand Bank Annual Report (the "**2016 Analysis of Financial Results**", and together with the 2017 Analysis of Financial Results, the "**Analysis of Financial Results**"):
- (i) Summary Income Statement – Normalised on page A12;
 - (ii) Overview of Results on page A16;
 - (iii) Net Interest Income (Before Impairment of Advances) on page A28;
 - (ii) Credit Highlights on pages A33-A35;
 - (iii) Non-Interest Revenue on pages A36-A38;
 - (iv) Operating Expenses on pages A39-A40;
 - (v) Credit on pages A45-A59;
 - (v) Funding and Liquidity on pages A61-A68;
 - (vi) Capital on pages A69-A74; and
 - (viii) Presentation and Reconciliations on pages A78-A87.
- (6) the summary risk and capital management report of the Issuer in respect of the year ended 30 June 2017, set out on pages B01 to B33 of the 2017 FirstRand Bank Annual Report (the "**2017 Summary Risk and Capital Management Report**") and the summary risk and capital management report of the Issuer in respect of the year ended 30 June 2016, set out on pages B01 to B30 of the 2016 FirstRand Bank Annual Report (the "**2016 Summary Risk and Capital Management Report**", and together with the 2017 Summary Risk and Capital Management Report, (the "**Summary Risk and Capital Management Report**");
- (7) the credit ratings information set out on page A82 of the 2017 FirstRand Bank Annual Report (the "**2017 Credit Ratings Information**") and the credit ratings information set out on page A75 of the 2016 FirstRand Bank Annual Report (the "**2016 Credit Ratings Information**", and together with the 2017 Credit Ratings Information, the "**Credit Ratings Information**");
- (8) the definitions set out on page D05 of the 2017 FirstRand Bank Annual Report (the "**2017 Definitions**") and the definitions set out on page D06 of the 2016 FirstRand Bank Annual Report (the "**2016 Definitions**", and together with the 2017 Definitions, the "**Definitions**");
- (9) the terms and conditions set out on pages 27 to 57 of the base prospectus dated 27 January 2011 relating to the Programme under the heading "Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes"; and
- (10) the terms and conditions set out on pages 29 to 58 of the base prospectus dated 4 December 2014 relating to the Programme under the heading "Terms and Conditions of the Notes".

Copies of the documents specified above as containing information incorporated by reference in this Base Prospectus may be inspected, free of charge, at the registered office of the Issuer and have also been published on the website of the London Stock Exchange through a regulatory information service (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>).

All the information incorporated by reference in sub-paragraphs (1) – (8) can be found at <https://www.firststrand.co.za/InvestorCentre/Pages/default.aspx>.

The base prospectus dated 27 January 2011 and the base prospectus dated 4 December 2014 can be found at <https://www.firststrand.co.za/InvestorCentre/Pages/debt-programmes.aspx>.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

Certain information contained in the documents listed above has not been incorporated by reference in this Base Prospectus. Such information is either (i) not considered by the Issuer to be relevant for prospective investors in the Notes to be issued under the Programme or (ii) is covered elsewhere in this Base Prospectus.

PRESENTATION OF FINANCIAL INFORMATION

The financial information set out in this Base Prospectus is non-consolidated financial information in respect of the Issuer and has, unless otherwise indicated, been extracted from the H1 December 2017 Analysis of Financial Results and the 2017 Audited Financial Statements. The Issuer has no material subsidiaries, structured entities or associates and therefore the Bank does not produce consolidated financial statements.

The Issuer has also incorporated by reference into, and set out in, this Base Prospectus certain information from the 2017 FirstRand Bank Annual Report and the 2016 FirstRand Bank Annual Report, including sections of the 2017 Analysis of Financial Results (including information extracted from the Bank's income statement analysis, balance sheet analysis and financial resource management) and Summary Risk and Capital Management Report. Certain information set out in this Base Prospectus is, where indicated, sourced from the Issuer's management accounts for the year ended 30 June 2017 and for the six month period ended 31 December 2017. This information is unaudited and unreviewed.

Unless otherwise indicated, financial information relating to the Issuer contained in the Summary Risk and Capital Management Report is unaudited.

Unless otherwise indicated, the financial information contained in the Analysis of Financial Results and incorporated by reference into, this Base Prospectus, is presented on a normalised basis and is unaudited. The Bank believes that normalised earnings more accurately reflect its economic performance. Earnings are adjusted to take into account certain non-operational items and accounting anomalies. However, the normalised information is not a measure of performance under IFRS and should not be considered in isolation or as a substitute for the Issuer's Audited Financial Statements. For a detailed description of differences between normalised financial information and IFRS results, see "Presentations and Reconciliations" on pages A84-A89 of the 2017 Annual Financial Report, pages A78-A87 of the 2016 Annual Financial Report, and pages 86-89 and 96-98 of the December 2017 Analysis of Financial Results which are incorporated by reference into this Base Prospectus.

References in this Base Prospectus to 'IFRS earnings' are to profits for the period attributable to ordinary equity holders of the Bank, and references in this Base Prospectus to 'normalised earnings' are to normalised earnings attributable to ordinary equity holders of the Bank.

Certain financial information relating to FirstRand Limited

Certain financial information set out in this Base Prospectus relates to FirstRand Limited (together with its subsidiaries, the "**Group**"). The financial information relating to the Group ("**FirstRand Limited Group Financial Information**") has been extracted from the Group's annual report and audited consolidated annual financial statements as at and for the years ended 30 June 2017 and 30 June 2016.

The FirstRand Limited Group Financial Information set out in this Base Prospectus is presented on a normalised basis. Earnings are adjusted to take into account certain non-operational items and accounting anomalies, in addition to which, the Group adjusts for consolidated private equity subsidiaries, FirstRand Limited shares held for client trading activities and realisation on the sale of private equity subsidiaries.

The Issuer is fully integrated within the Group as a wholly-owned subsidiary of FirstRand Limited and constitutes the largest operating subsidiary by total assets and income within the Group.

On this basis alone, the FirstRand Limited Group Financial Information has been included in this Base Prospectus in order to provide investors with information relating to the financial performance and condition of the Group as this, purely in the context of the foregoing, is relevant in order to assess the Issuer's business and operations.

Investors should note that FirstRand Limited is not a guarantor of, and will not guarantee, any Notes issued by the Issuer under the Programme. Investors' sole recourse in respect of any Notes is to the Issuer. See "Description of FirstRand Bank Limited".

Alternative Performance Measures

The Base Prospectus includes certain data which the Issuer considers to constitute alternative performance measures ("APMs") for the purposes of the European Securities Markets Authority ("ESMA") Guidelines on Alternative Performance Measures.

The Issuer believes that these APMs provide useful information to investors for the purposes of evaluating the financial condition and results of operations of the Issuer and, as applicable, FirstRand Limited, the quality of its assets and the fundamentals of its business, and allow for comparisons with other banks, over different periods of time and between the Issuer and the average industry standards.

These APMs are not defined by, or presented in accordance with, IFRS and are not measurements of the Bank's operating performance under IFRS. These APMs should not be considered in isolation from, or as alternatives to, any measures of performance under IFRS.

APM	Definition	Use
Headline earnings	Earnings attributable to ordinary shareholders adjusted for specific separately identifiable line items adjusted for tax. See page A86 of the 2017 Annual Report and page 96 of the H1 December 2017 Analysis of Financial Results for complete reconciliations.	Performance measure
Normalised earnings	Headline earnings adjusted for non-operational and accounting anomalies to accurately reflect operational performance. See page A87 of the 2017 Annual Report and page 96 of the H1 December 2017 Analysis of Financial Results for complete reconciliations.	Performance measure
Return on equity	Normalised earnings divided by average ordinary shareholders' equity. The average ordinary shareholders' equity as at 30 June 2017 is calculated as the average of the prior and current financial year end balances as at 30 June 2017 and 30 June 2016. For the six month period ended 31 December 2017, the average ordinary shareholders equity is calculated as the average of the prior and current six month period end balances as at 31 December 2017 and 31 December 2016.	Performance measure
Net asset value	Capital and reserves attributable to ordinary equity holders as disclosed on the Issuer's statement of financial position.	Performance measure
Return on assets ("ROA")	Normalised earnings divided by average total assets. The average total assets as at 30 June 2017 is calculated as the simple average of the prior and current financial year end balances as at 30 June 2017 and 30 June 2016. The average total assets as at 31 December 2017 is calculated as the simple average of the prior and current six month period end balances as at 31 December 2017 and 31 December 2016.	Performance measure

APM	Definition	Use
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures. Total income is the sum of net interest income before impairments and total non-interest revenue.	Performance measure
Diversity ratio	Non-interest revenue as a percentage of total income including share of profits from associates and joint ventures.	Performance measure
Effective tax rate	Income tax expense as a percentage of profits before income tax.	Performance measure
Credit loss ratio	Impairment charge divided by average gross advances. The average gross advances at 30 June 2017 is the simple average of the prior and current financial year end balances 30 June 2017 and 30 June 2016. The average gross advances at 31 December 2017 is the simple average of the prior and current six month period end balances as at 31 December 2017 and 31 December 2016.	Performance measure
Non-performing loans ("NPLs") as a percentage of advances	Gross loans and advances recognised with impairments divided by total gross loans and advances. NPLs relate to loans that are in default, i.e. <ul style="list-style-type: none"> • Loans repayable by regular instalment – three or more instalments in arrears as at reporting date. • Loans payable on demand – repayment has not been made in accordance with the stipulated requirements for more than 90 days. • Revolving facilities exposure is in excess of approved limits for more than 90 days. 	Asset quality measure
Total impairment coverage ratio	Total impairments as a percentage of NPLs.	Asset quality measure
Specific coverage ratio	Specific impairments as a percentage of NPLs.	Asset quality measure
Performing book coverage ratio	Portfolio impairments as a percentage of performing book.	Asset quality measure
Net interest margin	Net interest income divided by average interest earning banking assets. Interest income includes gross interest received on assets and interest expense includes gross interest paid on liabilities.	Performance measure
Average gross loan-to-deposit ratio	Average advances expressed as a percentage of average deposits (year end / six month end balances, as applicable).	Balance sheet measure

SUPPLEMENT TO THIS BASE PROSPECTUS

If at any time during the duration of the Programme a significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus arises or is noted which is capable of affecting the assessment of any Notes which may be issued under the Programme whose inclusion is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the rights attaching to the Notes, the Issuer will prepare a supplement to this Base Prospectus.

KEY FEATURES OF THE PROGRAMME

The following overview of key features of the Programme does not purport to be complete and is qualified in its entirety by the remainder of this Base Prospectus. Words and expressions defined in the Conditions or elsewhere in this Base Prospectus have the same meanings in this overview of the key features of the Programme.

Issuer:	FirstRand Bank Limited.
Risk Factors:	Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under " <i>Risk Factors</i> " above.
Arranger	Rand Merchant Bank, a division of FirstRand Bank Limited (London Branch).
Dealers:	BNP Paribas, HSBC Bank plc, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc, Rand Merchant Bank, a division of FirstRand Bank Limited (London Branch) and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.
Fiscal Agent:	The Bank of New York Mellon, London Branch.
Registrar:	The Bank of New York Mellon SA/NV Luxembourg Branch.
Final Terms or Drawdown Prospectus:	Notes other than Exempt Notes issued under the Programme may be issued either (1) pursuant to this Base Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Tranche of Notes other than Exempt Notes will be the Terms and Conditions of the Notes as completed by the relevant Final Terms or as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus, as the case may be.
Exempt Notes:	The Issuer may agree with any Dealer that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.
Listing and Trading:	Applications have been made for Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the UK Listing Authority and to trading on the regulated market of the London Stock Exchange. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or to be admitted to listing, trading and/or quotation by such other or further competent authorities, stock exchanges and/or quotation systems as may be agreed with the Issuer, subject in all cases to the Issuer obtaining the consent from the FSD and the Registrar of Banks, to the extent necessary.

Clearing Systems:	Euroclear and/or Clearstream, Luxembourg and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Final Terms or (in the case of Exempt Notes) Pricing Supplement.
Initial Programme Amount:	Up to U.S.\$1,500,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time.
Issuance in Series:	Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations. Prior written approval of the FSD and, in respect of the issue of Notes which are intended to qualify as Tier 2 Capital, the Registrar of Banks is required for the issuance of each Tranche of Notes under the Programme. The prior approval of the Registrar of Banks is not required for the issuance of Unsubordinated Notes.
Forms of Notes:	Notes may only be issued in registered form. Each Tranche of Notes will initially be represented by a global note certificate in registered form (a " Global Note Certificate "). The Global Note Certificate will be deposited with the common depository for Euroclear and Clearstream, Luxembourg and registered in the name of its nominee. Persons holding beneficial interests in the Global Note Certificate will be entitled or required, as the case may be, to receive physical delivery of individual note certificates (" Individual Note Certificates "). Interests in a Global Note Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Note Certificates without interest coupons or talons attached only in the limited circumstances described under " <i>Summary of Provisions Relating to the Notes While in Global Form</i> ".
Currencies:	Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.
Status of the Notes:	Notes may be issued on a subordinated or unsubordinated basis, as specified in the relevant Final Terms or (in the case of Exempt Notes) Pricing Supplement.
Status of the Unsubordinated Notes:	The Unsubordinated Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (<i>Negative Pledge</i>)) unsecured obligations of the Issuer, all as described in Condition 5(a) (<i>Status of the Unsubordinated Notes</i>) and the relevant Final Terms or (in the case of Exempt Notes) Pricing Supplement.
Status of the Tier 2 Notes:	The Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5(b)(iii) (<i>Subordination</i>), subordinated obligations of the Issuer and rank <i>pari passu</i> without any preference among themselves and (save for those that have been accorded by law preferential rights)

at least *pari passu* with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) *pari passu* with the Tier 2 Notes.

Issue Price:

Notes may be issued at any price and will be issued on a fully paid basis, as specified in the relevant Final Terms or (in the case of Exempt Notes) Pricing Supplement. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Maturities:

Notes may be issued with any maturity date, subject, in relation to Tier 2 Notes, to such minimum maturities as may be required from time to time by the applicable Capital Regulations and, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer.

Subject to the applicable Capital Regulations, Tier 2 Notes will have a minimum maturity of five years and one day.

Redemption:

Subject as described in "*Maturities*" above, Notes may be redeemable at par or at such other Redemption Amount as may be specified in the relevant Final Terms or (in the case of Exempt Notes) Pricing Supplement. For so long as the Capital Regulations so require, and subject to the Capital Regulations, Tier 2 Notes may only be redeemed if (i) the Issuer has notified the Relevant Regulator of its intention to redeem the relevant Tier 2 Notes at least one month (or such other period, longer or shorter, as the Relevant Regulator may then require or accept) prior to the date scheduled for such redemption and has received written approval of the same from the Relevant Regulator, and (ii) such redemption is effected in accordance with the conditions (if any) approved by the Relevant Regulator, as described in Condition 11(e) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes and exercise of the Amendment Option*).

Optional Redemption:

Subject as described in "*Redemption*" above, Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or (if specified in the relevant Final Terms or (in the case of Exempt Notes) Pricing Supplement) in part) and (in the case of Unsubordinated Notes) the Noteholders to the extent (if at all) specified in the relevant Final Terms or (in the case of Exempt Notes) Pricing Supplement.

Tax Redemption:	Subject as described in " <i>Redemption</i> " above, early redemption of the Notes in whole (but not in part) is permitted for tax reasons as described in Condition 11(b) (<i>Redemption for tax reasons</i>), which tax reasons include (in the case of Tier 2 Notes) where the Issuer would not be entitled to claim a deduction in respect of computing its tax liabilities in South Africa, or such entitlement is (in the opinion of the Issuer) materially reduced, as a result of any Tax Law Change, that the Issuer cannot avoid by taking measures reasonably available to it, as described in Conditions 2(a) (<i>Definitions</i>) and 11(b) (<i>Redemption for tax reasons</i>).
Redemption for Regulatory Reasons:	Subject as described in " <i>Redemption</i> " above, early redemption of the Tier 2 Notes in whole (but not in part) is permitted at the option of the Issuer if a Regulatory Event occurs and while it is continuing as described in Condition 11(c) (<i>Redemption for regulatory reasons</i>).
Non-Viability Event in respect of Tier 2 Notes:	<p>Tier 2 Notes are subject to contractual Write-off in accordance with the Capital Regulations upon the occurrence of a Non-Viability Event, as described in Condition 5(c) (<i>Non-Viability Loss Absorption</i>).</p> <p>The Issuer may at any time elect to apply any Statutory Loss Absorption Regime which is implemented in South Africa to the Tier 2 Notes in place of contractual Write-off under Condition 5(c) (<i>Non-Viability Loss Absorption</i>) upon the occurrence of a Non-Viability Event, as described in Condition 5(d) (<i>Disapplication of the Non-Viability Absorption Condition</i>).</p>
Substitution and Variation of Tier 2 Notes:	Where Substitution or Variation is specified as being applicable in the relevant Final Terms or (in the case of Exempt Notes) Pricing Supplement in respect of Tier 2 Notes, and a Tax Event (Gross up), Tax Event (Deductibility) or a Regulatory Event has occurred and is continuing, then the Issuer may either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Tier 2 Securities, as described in Condition 11(l) (<i>Substitution or Variation</i>).
Interest:	Notes may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate.
Denominations:	No Notes may be issued under the Programme (a) where such Notes are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in circumstances which require the publication of a prospectus under the Prospectus Directive, with a minimum denomination of less than EUR100,000 (or its equivalent in another currency at the Issue Date of such Notes), or (b) which carry the right to acquire shares (or transferable securities equivalent to shares) issued by the Issuer or by any entity to whose group the Issuer belongs. Subject thereto, Notes will be issued in such denominations as may be specified in the relevant Final Terms or (in the case of Exempt Notes) the relevant Pricing Supplement, subject to compliance with all applicable legal and/or regulatory and/ or central bank requirements. See also " <i>Maturities</i> " above.
Negative Pledge:	Unsubordinated Notes will have the benefit of a negative pledge as described in Condition 6 (<i>Negative Pledge</i>).

Cross Default:	Unsubordinated Notes will have the benefit of a cross default as described in Condition 14 (<i>Events of Default</i>).
Taxation:	All payments in respect of Notes will be made free and clear of withholding taxes of South Africa, unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 13 (<i>Taxation</i>)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.
Governing Law:	English law, save that Conditions 5(b) (<i>Status of Tier 2 Notes</i>), 5(d) (<i>Non-Viability Loss Absorption</i>), 5(e) (<i>Disapplication of the Non-Viability Loss Absorption Condition</i>) and 11(e) (<i>Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes and exercise of the Amendment Option</i>) are governed by, and shall be construed in accordance with, South African law.
Enforcement of Notes in Global Form:	In the case of Global Note Certificates, individual investors' rights against the Issuer will be governed by a Deed of Covenant (the " Deed of Covenant ") dated 6 April 2018, a copy of which will be available for inspection at the specified office of the Fiscal Agent.
Ratings:	Each Tranche of Notes may be rated or unrated. Where applicable, the ratings of the Notes will be specified in the relevant Final Terms or (in the case of Exempt Notes) Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.
Selling Restrictions:	For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area (including the United Kingdom), South Africa and Japan, see " <i>Subscription and Sale</i> " below.

FINAL TERMS, PRICING SUPPLEMENTS AND DRAWDOWN PROSPECTUSES

In this section the expression "**necessary information**" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer has endeavoured to include in this Base Prospectus all of the necessary information except for information relating to the Notes which is not known at the date of this Base Prospectus and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Base Prospectus or any supplement hereto and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either (i) in the case of Notes other than Exempt Notes, in the relevant Final Terms or in a Drawdown Prospectus or (ii) in the case of Exempt Notes, in the relevant Pricing Supplement. In the case of Notes other than Exempt Notes, such information will be contained in the relevant Final Terms unless any of such information constitutes a significant new factor relating to the information contained in this Base Prospectus in which case such information, together with all of the other necessary information in relation to the relevant series of Notes, will be contained in a Drawdown Prospectus.

For a Tranche of Notes which is the subject of Final Terms or (in the case of Exempt Notes) a Pricing Supplement, such Final Terms or Pricing Supplement, as applicable, will, for the purposes of that Tranche only, complete the Conditions contained in this Base Prospectus and must be read in conjunction with this Base Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms or (in the case of Exempt Notes) Pricing Supplement are the Conditions as completed by the relevant Final Terms or Pricing Supplement, as applicable.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Prospectus will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Base Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise.

Each Drawdown Prospectus will be constituted either (1) by a single document containing the necessary information relating to the Issuer and the relevant Notes or (2) by a registration document (the "**Registration Document**") containing the necessary information relating to the Issuer, a securities note (the "**Securities Note**") containing the necessary information relating to the relevant Notes and, if necessary, a summary note. In addition, if the Drawdown Prospectus is constituted by a Registration Document and a Securities Note, any significant new factor, material mistake or inaccuracy relating to the information included in the Registration Document which arises or is noted between the date of the Registration Document and the date of the Securities Note which is capable of affecting the assessment of the relevant Notes will be included in the Securities Note.

FORMS OF THE NOTES

Each Tranche of Notes will initially be represented by a Global Note Certificate. Global Note Certificates will be deposited with the common depository and registered in the name of its nominee. Persons holding beneficial interests in a Global Note Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Individual Note Certificates in fully registered form.

Payments of principal, interest and any other amount in respect of the Global Note Certificates will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 2(a) (*Definitions*)) as the registered holder of the Global Note Certificate. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Note Certificates or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Individual Note Certificates will, in the absence or provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 12(f) (*Record Date*)) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Global Note Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Note Certificates without interest coupons or talons attached only upon the occurrence of an Exchange Event. The Issuer will promptly give notice to Noteholders in accordance with Condition 19 (*Further Issues*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Global Note Certificate) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Notes represented by an Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below and the provisions of the relevant Final Terms or (in the case of Exempt Notes) Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Notes represented by a Global Note Certificate will differ from those terms and conditions which would apply to the Note were it in individual form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

For so long as any Tier 2 Notes are represented by a Global Note, any Write-off (as defined in the Conditions) will be effected in Euroclear and Clearstream, Luxembourg in accordance with their operating procedures by the application of a pool factor to the relevant Tier 2 Notes.

Legend concerning United States persons

In the case of any Tranche of Notes having a maturity of more than 365 days, the Global Note Certificate and the Individual Note Certificates will bear a legend to the following effect:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which will be endorsed on each Note in definitive form issued under the Programme, as completed by the relevant Final Terms or (in the case of an Exempt Note) as replaced, modified and/or completed by the relevant Pricing Supplement. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

1. Introduction

- (a) *Programme:* FirstRand Bank Limited (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.\$1,500,000,000 in aggregate principal amount of notes (the "**Notes**").
- (b) *Final Terms and Pricing Supplement:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a written final terms (the "**Final Terms**") or, if the Notes of any Tranche are Notes which are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive ("**Exempt Notes**"), a pricing supplement (the "**Pricing Supplement**") which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of the Notes are these Conditions as (i) in the case of Notes other than Exempt Notes, completed by the relevant Final Terms or (ii) in the case of Exempt Notes, as replaced, modified and/or completed by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Final Terms or (in the case of Exempt Notes) Pricing Supplement, the relevant Final Terms or Pricing Supplement, as applicable, shall prevail. If the Notes of any Tranche are to be admitted to trading on the regulated market of the London Stock Exchange, the relevant Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. If the Notes of any Tranche are Exempt Notes, the relevant Pricing Supplement will only be obtainable from the Specified Offices of the Agents (the initial Specified Offices of which are set out below) by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the relevant Agent as to its holding of such Notes and identity. Any reference in the Conditions to "**relevant Final Terms**" shall be deemed to include a reference to "**relevant Pricing Supplement**" where relevant.
- (c) *Deed of Covenant:* The Notes are constituted by a deed of covenant dated 6 April 2018 (the "**Deed of Covenant**") entered into by the Issuer.
- (d) *Agency Agreement:* The Notes are the subject of an amended and restated issue and paying agency agreement dated 6 April 2018 (the "**Agency Agreement**") between the Issuer, The Bank of New York Mellon SA/NV Luxembourg Branch as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon, London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes and any reference to a "**Paying Agent**" is to any one of them). References herein to the "**Agents**" are to the Registrar, the Fiscal Agent and the Paying Agents and any reference to an "**Agent**" is to any one of them.
- (e) *The Notes:* All subsequent references in these Conditions to "**Notes**" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at, and copies may be obtained from, the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.
- (f) *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. The Noteholders (as defined below) are

bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents.

2. Interpretation

(a) *Definitions:* In these Conditions the following expressions have the following meanings:

"5-year Mid-Swap Rate" means, the rate, expressed as a percentage, for swap transactions in the Specified Currency with a term of 5 years;

"5-year Mid-Swap Rate Quotations" means the arithmetic mean of the bid and offered rates for the fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating interest rate swap transaction in the Specified Currency which:

- (i) has a term of 5 years commencing on the relevant Reset Date;
- (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and
- (iii) has a floating leg based on the Reset Reference Rate (calculated on an Actual/360 day count basis);

"Accrual Yield" has the meaning given in the relevant Final Terms;

"Additional Business Centre(s)" means the city or cities specified as such in the relevant Final Terms;

"Additional Financial Centre(s)" means the city or cities specified as such in the relevant Final Terms;

"Applicable Laws" means, in relation to a party, all and any:

- (i) statutes and subordinate legislation and common law;
- (ii) regulations;
- (iii) ordinances and by-laws;
- (iv) directives, codes of practices, circulars, guidance notes, judgments and decisions of any competent authority, or any governmental, intergovernmental or supranational body, agency, department or regulatory or self-regulatory or other authority or organisation; and
- (v) other similar provisions,

from time to time, compliance with which is mandatory for that party;

"Authorised Holding" has the meaning given to it in Condition 3 (*Form, Denomination and Title*);

"Banks Act" means the South African Banks Act, 1990, as amended or replaced from time to time;

"Business Day" means:

- (i) in relation to any sum payable in Euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre;

- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre; and
- (iii) in relation to the determination of any Reset Rate of Interest, a day on which commercial banks and foreign exchange markets settle payments generally in London and in the Relevant Centre;

"Business Day Convention", in relation to any particular date, has the meaning given in the relevant Final Terms and, if so specified in the relevant Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Final Terms as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
 - (A) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
 - (B) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
 - (C) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (v) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"CA Selected Bond" has the meaning given in Condition 11(c) (*Redemption for regulatory reasons*);

"Calculation Agent" means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms, or (for the purposes of determining any Reset Rate of Interest in accordance with Condition 7(e) (*Determination of Reset Rate of Interest and Reset Coupon Amount(s)*)) an Independent Investment Bank;

"Calculation Amount" has the meaning given in the relevant Final Terms;

"Call Option" has the meaning given in the relevant Final Terms;

"**Capital Regulations**" means at any time, any capital adequacy rules, legislation, regulations, requirements, guidance notes and policies relating to capital adequacy then in effect in South Africa in relation to banks registered under the Banks Act and licensed to conduct the business of a bank in South Africa (and where relevant, the rules applicable specifically to the Issuer) as applied by the Relevant Regulator, or, if the Issuer becomes domiciled in a jurisdiction other than South Africa, any capital adequacy rules, legislation, regulations, requirements, guidance notes and policies relating to capital adequacy then in effect in such other jurisdiction in relation to banks registered and licensed to conduct the business of a bank in such other jurisdiction (and where relevant, the rules applicable specifically to the Issuer) as applied by the Relevant Regulator;

"**Central Bank**" means the South African Reserve Bank or any other central bank, federal reserve or equivalent body in any jurisdiction, or any other entity established and operated by any of the aforementioned parties;

"**Day Count Fraction**" means, in respect of the calculation of an amount for any period of time (the "**Calculation Period**"), such day count fraction as may be specified in these Conditions or the relevant Final Terms and:

- (i) if "**Actual/Actual (ICMA)**" is so specified, means:
 - (A) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) where the Calculation Period is longer than one Regular Period, the sum of:
 - (x) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (y) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods normally ending in any year;
- (ii) if "**Actual/365**" or "**Actual/Actual (ISDA)**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if "**30/360**" is so specified, means the number of days in the Calculation period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the first day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if "**30E/360**" or "**Eurobond Basis**" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"D₁" is the first calendar day, expressed as a number, of the Calculation Period unless such number would be 31, in which case D₁ will be 30; and

"D₂" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless such number would be 31, in which case D₂ will be 30;

- (vii) if "**30E/360 (ISDA)**" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y₁" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M₁**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M₂**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D₁**" is the first calendar day, expressed as a number, of the Calculation Period unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

"**D₂**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30;

"**Deposit**" means a "*deposit*" as defined in the Banks Act;

"**Depositor**" means any Person having a claim against the Issuer in respect of a Deposit;

"**Dispute**" has the meaning given to it in Condition 23(b) (*English courts*);

"**Early Redemption Amount (Regulatory)**" has the meaning given in Condition 11(c) (*Redemption for regulatory reasons*);

"**Early Redemption Amount (Tax Deductibility)**" means, in respect of any Note, the Early Redemption Amount (Tax Deductibility) specified in the relevant Final Terms;

"**Early Redemption Amount (Tax Gross up)**" means, in respect of any Note, the Early Redemption Amount (Tax Gross up) specified in the relevant Final Terms, subject as set out in Condition 11(i) (*Early redemption of Zero Coupon Notes*);

"**EURIBOR**" means the Eurozone interbank offered rate;

"**Event of Default**" means any of the events described in Condition 14 (*Events of Default*);

"**Extraordinary Resolution**" has the meaning given in the Agency Agreement;

"**Final Redemption Amount**" means, in respect of any Note, the Final Redemption Amount specified in the relevant Final Terms;

"**Financial Indebtedness**" means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (i) amounts raised by acceptance under any acceptance credit facility;
- (ii) amounts raised under any note purchase facility;
- (iii) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (iv) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 90 days; and
- (v) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

"**First Interest Payment Date**" means the date specified as such in the relevant Final Terms;

"First Reset Date" means the date specified in the relevant Final Terms;

"Fixed Coupon Amount" means:

- (i) unless the relevant Final Terms specify the Reset Rate as being applicable, the amount specified as the Fixed Coupon Amount in the relevant Final Terms; or
- (ii) if the relevant Final Terms specify the Reset Rate as being applicable:
 - (A) in respect of any Interest Period falling in the Initial Period, the amount specified as the Fixed Coupon Amount in the relevant Final Terms; or
 - (B) in respect of any Interest Period beginning on or after the First Reset Date, the relevant Reset Coupon Amount;

"Guarantee" means, in relation to any Financial Indebtedness of any Person, any obligation of another Person to pay such Financial Indebtedness including (without limitation):

- (i) any obligation to purchase such Financial Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Financial Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such Financial Indebtedness; and
- (iv) any other agreement to be responsible for such Financial Indebtedness;

"Holder" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint-holding, the first named thereof) and **"Noteholders"** shall be construed accordingly;

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

"Initial Mid-Swap Rate" has the meaning given in the relevant Final Terms;

"Initial Period" means the period from (and including) the Issue Date to (but excluding) the First Call Date;

"Interest Amount" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

"Interest Commencement Date" means the Interest Commencement Date specified in the relevant Final Terms;

"Interest Determination Date" means:

- (i) where the Reference Rate is LIBOR (other than Sterling LIBOR or euro LIBOR), the second London business day prior to the start of each Interest Period;
- (ii) where the Reference Rate is Sterling LIBOR, the first day of each Interest Period; or
- (iii) where the Reference Rate is EURIBOR or euro LIBOR, the second day on which TARGET2 is open prior to the start of each Interest Period;

"Interest Payment Date" means the First Interest Payment Date and any other date or dates specified as such in the relevant Final Terms or determined in accordance with the provisions of these Conditions as completed by the relevant Final Terms and, if a Business Day Convention is specified in the relevant Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the First Interest Payment Date) or the previous Interest Payment Date (in any other case);

"Interest Period" means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

"ISDA Definitions" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.);

"ISDA Rate" has the meaning given to it in Condition 8(d) (*ISDA Determination*);

"Issue Date" has the meaning given in the relevant Final Terms;

"LIBOR" means the London interbank offered rate;

"Make Whole Redemption Amount" has the meaning given in Condition 11(c) (*Redemption for regulatory reasons*);

"Margin" has the meaning given in the relevant Final Terms;

"Maturity Date" has the meaning given in the relevant Final Terms;

"Maximum Redemption Amount" has the meaning given in the relevant Final Terms;

"Minimum Redemption Amount" has the meaning given in the relevant Final Terms;

A **"Non-Viability Event"** shall occur when a "trigger event", as specified in a notice in writing by the Relevant Regulator to the Issuer in accordance with the Capital Regulations, has occurred; provided that, as a minimum, the aforesaid "trigger event" shall be the earlier of:

- (a) a decision that a Write-off, without which the Issuer (on a consolidated basis or as otherwise required by the Capital Regulations) would become non-viable, is necessary as determined by the Relevant Regulator; and
- (b) a decision to make a public sector injection of capital, or equivalent support, without which the Issuer (on a consolidated basis or as otherwise required by the Capital Regulations) would have become non-viable as determined by the Relevant Regulator;

"Non-Viability Event Notice" has the meaning given to it in Condition 5(c)(ii) (*Non-Viability Loss Absorption*);

"Non-Viability Loss Absorption Condition" has the meaning given to it in Condition 5(c)(i) (*Non-Viability Loss Absorption*);

"Note Certificate" has the meaning given to it in Condition 4(a) (*Register*);

"Optional Redemption Amount (Call)" means, in respect of any Note, the Optional Redemption Amount(s) (Call) specified in the relevant Final Terms, subject as set out in Condition 11(i) (*Early redemption of Zero Coupon Notes*);

"Optional Redemption Amount (Put)" means, in respect of any Unsubordinated Note, the Optional Redemption Amount(s) (Put) specified in the relevant Final Terms, subject as set out in Condition 11(i) (*Early redemption of Zero Coupon Notes*);

"Optional Redemption Date (Call)" has the meaning given in the relevant Final Terms;

"Optional Redemption Date (Put)" has the meaning given in the relevant Final Terms;

"Payment Business Day" means:

- (i) if the Specified Currency is euro, any day which is:
 - (A) a day on which banks in the relevant place of surrender or endorsement are open for surrender or endorsement of note certificates and payment and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the Specified Currency is not euro, any day which is:
 - (A) a day on which banks in the relevant place of surrender or endorsement are open for surrender or endorsement of note certificates and payment and for dealings in foreign currencies; and
 - (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the Specified Currency and in each (if any) Additional Financial Centre;

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

- (i) (A) the payment obligations secured by such Permitted Security Interest are to be discharged primarily from, and recourse under such Permitted Security Interest is limited to, the proceeds of such property or assets or a guarantee from an entity other than the Issuer or any of its consolidated Subsidiaries; and
- (B) such Security Interest is created pursuant to any securitisation, asset-backed financing or like arrangement in accordance with normal market practice; or
- (ii) the Relevant Indebtedness secured by such Security Interest has been issued in order to secure the obligations of the Issuer or any Subsidiary to any Central Bank in respect of any liquidity facility or any other funding arrangement pursuant to which the Issuer or any Subsidiary incurs Financial Indebtedness provided by such Central Bank;

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;
- (ii) in relation to South African Rand, it means Johannesburg;
- (iii) in relation to Australian dollars, it means either Sydney or Melbourne;
- (iv) in relation to New Zealand dollars, it means either Wellington or Auckland; and
- (v) in any case any financial centre that is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

"Principal Subsidiary" means a Subsidiary of the Issuer or any of its consolidated Subsidiaries whose (a) total profits before tax represent in excess of 10 per cent. of the consolidated total profits before tax of the Issuer and its Subsidiaries, or (b) total value of net assets represent in excess of 10 per cent. of the total value of all consolidated net assets owned by the Issuer and its Subsidiaries in each case calculated by reference to the latest audited financial statements of each Subsidiary and the latest audited consolidated financial statements of the Issuer and its Subsidiaries but if a Subsidiary has been acquired or sold since the date as at which the latest audited consolidated financial statements of the Issuer and its Subsidiaries were prepared, the financial statements shall be adjusted in order to take into account the acquisition or sale of that Subsidiary (that adjustment being certified by the Issuer and its Subsidiaries' auditors as representing an accurate reflection of the revised consolidated profits before interest and tax or turnover of the Issuer and its Subsidiaries). A report by the auditors of the Issuer that a Subsidiary is or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Noteholders;

"Proceedings" has the meaning given to it in Condition 23(d) (*Rights of the Noteholders to take proceedings outside England*);

"Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State;

"Put Option Notice" means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem an Unsubordinated Note at the option of the Noteholder;

"Qualifying Tier 2 Securities" means securities issued directly by the Issuer that:

- (i) have terms not materially less favourable to investors than the terms of the Notes being substituted or varied in accordance with Condition 11(1) (*Substitution or Variation*) (as reasonably determined by the Issuer in consultation with an investment bank or financial adviser of international standing (which in either case is independent of the Issuer)) and which (1) contain terms which comply with the then current minimum requirements of the Relevant Regulator in relation to Tier 2 Capital, required to ensure that such Qualifying Tier 2 Securities qualify as Tier 2 Capital, (2) include terms which provide for the same Rate of Interest or rate of return from time to time applying to the relevant Notes, and preserve the Interest Payment Dates, (3) rank senior to, or *pari passu* with, the ranking of the relevant Notes, (4) preserve any existing rights under these Conditions to any accrued interest or other amounts which have not been paid; (5) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the relevant Notes, including (without limitation) as to timing of, and amounts payable upon, such redemption; and (6) have a solicited published rating ascribed to them or expected to be ascribed to them if the relevant Notes had a solicited published rating from a rating agency immediately prior to such substitution or variation, as applicable; and
- (ii) if the relevant Notes are listed on the Official List of the United Kingdom Financial Conduct Authority and admitted to trading on the regulated market of the London Stock Exchange plc, are (a) listed on the Official List of the United Kingdom Financial Conduct Authority and

admitted to trading on the regulated market of the London Stock Exchange plc or (b) if listing such securities on the Official List of the United Kingdom Financial Conduct Authority and admission to trading on the regulated market of the London Stock Exchange plc is impractical or unduly burdensome, in the opinion of the Issuer, listed on such other stock exchange that is a Recognised Stock Exchange at that time as selected by the Issuer;

"Rate of Interest" means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Final Terms;

"Recognised Stock Exchange" means a recognised stock exchange as defined in Section 1005 of the United Kingdom Income Tax Act 2007, as the same may be amended from time to time and any provision, statute or statutory instrument replacing the same from time to time;

"Record Date" has the meaning given to it in Condition 12(f) (*Record date*);

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax Deductibility), the Early Redemption Amount (Tax Gross up), the Early Redemption Amount (Regulatory), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put) or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Final Terms;

"Reference Banks" has the meaning given in the relevant Final Terms or, if none, four major banks selected (after consultation with the Issuer, if reasonably practicable) by the Calculation Agent in the market that is most closely connected with the Reference Rate;

"Reference Bond" has the meaning given in Condition 11(c) (*Redemption for regulatory reasons*);

"Reference Bond Price" has the meaning given in Condition 11(c) (*Redemption for regulatory reasons*);

"Reference Market Maker" has the meaning given in Condition 11(c) (*Redemption for regulatory reasons*);

"Reference Market Maker Quotation" has the meaning given in Condition 11(c) (*Redemption for regulatory reasons*);

"Reference Price" has the meaning given in the relevant Final Terms;

"Reference Rate" has the meaning given in the relevant Final Terms;

"Register" means the register maintained by the Registrar in respect of the Notes in accordance with the Agency Agreement;

"Registrar of Banks" means the South African Registrar of Banks designated under section 4 of the Banks Act;

"Regular Period" means:

- (i) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the First Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (ii) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and

- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

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

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

"**Regulatory Reference Rate**" has the meaning given in Condition 11(c) (*Redemption for regulatory reasons*);

"**Relevant Centre**" means the Relevant Centre specified in the relevant Final Terms;

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Indebtedness**" means any present or future Financial Indebtedness which is in the form of any bond, note, debenture, debenture stock, loan stock, certificate or other similar security which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market) and having an original maturity of more than 364 days from its date of issue;

"**Relevant Member State**" means each Member State of the European Economic Area which has implemented the Prospectus Directive;

"**Relevant Regulator**" means the Registrar of Banks and any successor or replacement thereto, or any other authority having primary responsibility for the prudential oversight and supervision of the Issuer;

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"Reset Coupon Amount" means, in respect of each Note of a Specified Denomination for any Interest Period beginning on or after the First Reset Date, an amount calculated by applying the relevant Reset Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the relevant Specified Denomination of such Note divided by the Calculation Amount. For this purpose a **"sub-unit"** means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent;

"Reset Date" means the First Reset Date and each day (other than the Maturity Date) which falls on the fifth anniversary of the immediately preceding Reset Date;

"Reset Interest Period" means each period beginning on (and including) the First Reset Date or any subsequent Reset Date and ending on (but excluding) the next Reset Date or, as the case may be, the Maturity Date;

"Reset Margin" means the Reset Margin specified in the relevant Final Terms;

"Reset Rate of Interest" has the meaning given in Condition 7(e) (*Determination or Reset Rate of Interest and Reset Coupon Amount(s)*);

"Reset Rate of Interest Determination Date" means, in relation to a Reset Interest Period, the day falling two Business Days prior to the Reset Date on which such Reset Interest Period commences;

"Reset Reference Banks" means five leading swap dealers active in the interbank market for swap transactions in the Specified Currency selected by the Calculation Agent in consultation with the Issuer;

"Reset Reference Rate" has the meaning given in the relevant Final Terms;

"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

"Senior Creditors" means:

- (i) creditors of the Issuer who are unsubordinated creditors of the Issuer; and
- (ii) creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors, whether subordinated or unsubordinated, of the Issuer other than those whose claims rank, or are expressed to rank, *pari passu* with, or junior to, Tier 2 Noteholders;

"Solvent Reconstruction" means an event where an order is made or an effective resolution is passed for the winding-up or curatorship of the Issuer under or in connection with a scheme of amalgamation or reconstruction not involving a bankruptcy or insolvency where the obligations of the Issuer in relation to the outstanding Notes are assumed by the successor entity to which all, or substantially all, of the property, assets and undertaking of the Issuer are transferred or where an arrangement with similar effect not involving bankruptcy or insolvency is implemented;

"South Africa" means the Republic of South Africa as constituted from time to time;

"Specified Currency" has the meaning given in the relevant Final Terms;

"Specified Denomination(s)" has the meaning given in the relevant Final Terms, save that the minimum denomination of any Note to be admitted to trading on a regulated market within the European Economic Area or offered to the public in circumstances which require the publication of a prospectus under the Prospectus Directive will be EUR100,000 (or its equivalent in another currency at the Issue Date of such Notes);

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Final Terms;

"**Statutory Loss Absorption Regime**" means any legal, statutory or regulatory regime or requirement implemented in South Africa pursuant to Applicable Laws which provides the Relevant Regulator with the power to implement principal loss absorption measures in respect of capital instruments (such as Tier 2 Capital), including, but not limited to, any such regime or requirement which is implemented pursuant to the Basel III regulatory framework introduced by the Basel Committee on Banking Supervision;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**") whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise;

"**Swap Rate Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Swap Rate Screen Page in the relevant Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices for swap transactions in the Specified Currency with a term of 5 years;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single share platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Taxes**" has the meaning given to it in Condition 13(a) (*Gross up*);

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

"**Tax Event (Gross up)**" means an event where, as a result of a Tax Law Change, the Issuer has paid or will or would on the next Interest Payment Date be required to pay additional amounts as provided or referred to in Condition 13 (*Taxation*);

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

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

"**Tier 2 Noteholder**" means a Holder of Tier 2 Notes;

"**Tier 2 Notes**" means Notes specified as such in the relevant Final Terms and the proceeds of which are capable of qualifying as Tier 2 Capital on the Issue Date;

"**Unsubordinated Notes**" means any Notes issued with the status and characteristics set out in Condition 5(a) (*Status of the Unsubordinated Notes*) as specified in the relevant Final Terms;

"**Write-off**" means, in respect of Tier 2 Notes:

- (i) the relevant Tier 2 Notes shall be cancelled (in the case of a Write-off in whole) or written-off in part on a *pro rata* basis (in the case of a Write-off in part), in each case on a proportionate basis (unless otherwise required by the Relevant Regulator) with all other Tier 2 Capital of the Issuer to the extent that such other Tier 2 Capital is capable of being written-off or converted under any applicable law and/or any applicable contractual provision of such Tier 2 Capital, all in accordance with the Capital Regulations and as, and to the extent, determined by the Relevant Regulator; and
- (ii) all rights of any Tier 2 Noteholder for payment of any amounts under or in respect of the relevant Tier 2 Notes (including, without limitation, any amounts arising as a result of, or due and payable upon the occurrence of, an Event of Default) shall, as the case may be, be cancelled or written-off *pro rata* among the Tier 2 Noteholders, in each case on a proportionate basis (unless otherwise required by the Relevant Regulator) with all other Tier 2 Capital of the Issuer to the extent that the rights for payment of any amount under or in respect of such other Tier 2 Capital is capable of being written-off or converted under any applicable law and/or any applicable contractual provision of such Tier 2 Capital, and, in each case, not restored under any circumstances, irrespective of whether such amounts have become due and payable prior to the date of the Non-Viability Event Notice and even if the Non-Viability Event is no longer continuing; and

"**Zero Coupon Note**" means a Note specified as such in the relevant Final Terms.

(b) *Interpretation:* In these Conditions:

- (i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (ii) any reference to interest shall be deemed to include payment of any Interest Amount, any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (iii) references to Notes being "**outstanding**" shall be construed in accordance with the Agency Agreement;
- (iv) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "**Not Applicable**" then such expression is not applicable to the Notes; and
- (v) any reference to the Agency Agreement or the Deed of Covenant shall be construed as a reference to the Agency Agreement or the Deed of Covenant, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3. **Form, Denomination and Title**

The Notes are in registered form in the Specified Denomination(s) and may be held in holdings equal to any specified minimum amount and integral multiples equal to any specified increments (as specified in the relevant Final Terms) in excess thereof (each, an "**Authorised Holding**"). The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note

for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4. **Register, Title and Transfers**

- (a) *Register:* The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.
- (b) *Transfers:* Subject to paragraphs (e) (*Closed periods*) and (f) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar, together with such evidence as the Registrar may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Holdings. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.
- (c) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (b) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar has its Specified Office.
- (d) *No charge:* The transfer of a Note will be effected without charge by or on behalf of the Issuer or the Registrar but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (e) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.
- (f) *Regulations concerning transfers and registration:* All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

5. **Status**

- (a) *Status of the Unsubordinated Notes:*
 - (i) *Application:* This Condition 5(a) applies only to Unsubordinated Notes.
 - (ii) *Status of the Unsubordinated Notes:* The Unsubordinated Notes constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* without preference or priority among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(b) *Status of the Tier 2 Notes:*

- (i) *Application:* This Condition 5(b) applies only to Tier 2 Notes.
- (ii) *Status of the Tier 2 Notes:* The Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5(b)(iii) (*Subordination*) below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and (save for those that have been accorded by law preferential rights) at least *pari passu* with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) *pari passu* with the Tier 2 Notes.
- (iii) *Subordination:* The claims of Tier 2 Noteholders entitled to be paid amounts due in respect of the Tier 2 Notes are subordinated to the claims of Depositors and Senior Creditors and, accordingly, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, curatorship or wound-up:
 - (A) notwithstanding that a Tier 2 Noteholder shall have proved a claim for any amount in respect of the Tier 2 Notes in the event of the dissolution, liquidation, curatorship or winding-up of the Issuer, no such amount shall be paid to that Tier 2 Noteholder;
 - (B) no amount due under the Tier 2 Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which a Tier 2 Noteholder might otherwise have under the laws of any jurisdiction in respect of the Tier 2 Notes nor shall any amount due under the Tier 2 Notes be payable to any Tier 2 Noteholder; and
 - (C) subject to applicable law, a Tier 2 Noteholder may not exercise or claim any right of set-off in respect of any amount in respect of the principal of and/or interest on the Tier 2 Notes owed to it by the Issuer and each Tier 2 Noteholder shall, by virtue of its subscription, purchase or holding of any Tier 2 Notes, be deemed to have waived all such rights of set-off and, to the extent that any set-off takes place, whether by operation of law or otherwise, between: (aa) any amount in respect of the principal and/or interest on the Tier 2 Notes owed by the Issuer to a Tier 2 Noteholder; and (bb) any amount owed to the Issuer by such Tier 2 Noteholder, such Tier 2 Noteholder will immediately transfer such amount which is set-off to the Issuer or, in the event of its winding-up or curatorship (as the case may be), the liquidator, curator or other relevant insolvency official of the Issuer, to be held on trust for the Depositors and Senior Creditors,

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

(c) *Non-Viability Loss Absorption*

- (i) *Application:* This Condition 5(c) applies only to Tier 2 Notes and is referred to in these Conditions as the "**Non-Viability Loss Absorption Condition**".
- (ii) *Non-Viability Event.* Upon the occurrence of a Non-Viability Event, the Issuer will notify Tier 2 Noteholders (a "**Non-Viability Event Notice**") in accordance with Condition 20 (*Notices*) that a Non-Viability Event has occurred and subsequently Write-off the Tier 2 Notes, in accordance with the Capital Regulations.
- (iii) *No compensation.* For the avoidance of doubt, the Issuer shall not be obliged to pay compensation in any form to Tier 2 Noteholders in respect of a Write-off of Tier 2 Notes in accordance with the Conditions.

- (iv) *No default.* For the avoidance of doubt, any Write-off of the Tier 2 Notes upon the occurrence of a Non-Viability Event will not constitute an Event of Default or any other breach of the Issuer's obligations under the Conditions.

(d) *Disapplication of the Non-Viability Loss Absorption Condition*

- (i) *Application:* This Condition 5(d) applies only to Tier 2 Notes.
- (ii) *Statutory Loss Absorption Regime.* If a Statutory Loss Absorption Regime is implemented in South Africa and such Statutory Loss Absorption Regime:
 - (A) is not applied mandatorily to the Tier 2 Notes; and
 - (B) provides that the Issuer may, or otherwise allows the Issuer to, or does not restrict the ability of the Issuer to, elect to apply such Statutory Loss Absorption Regime to the Tier 2 Notes;

then the Issuer may at any time, subject to *Condition 11(e) (Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes and exercise of the Amendment Option)* and by giving notice (the "**Amendment Notice**") to the Tier 2 Noteholders (which Amendment Notice shall be irrevocable) in accordance with Condition 20 (*Notices*), elect to apply that Statutory Loss Absorption Regime to the Tier 2 Notes from the date specified in the Amendment Notice (the "**Amendment Date**"), being a date no earlier than the date on which the Statutory Loss Absorption Regime takes effect, and upon such Statutory Loss Absorption Regime applying to the Tier 2 Notes on and from the Amendment Date the Non-Viability Loss Absorption Condition shall cease to apply to the Tier 2 Notes (such Issuer option to apply the Statutory Loss Absorption Regime to the Tier 2 Notes, being the "**Amendment Option**") provided that:

- (A) if the Issuer does not exercise the Amendment Option, and, this non-exercise (x) results in the Tier 2 Notes being fully or partially excluded from the Tier 2 Capital of the Issuer on a solo and/or consolidated basis and (y) is the sole reason for such exclusion, then such exclusion shall not constitute a Regulatory Event under these Conditions (although this limited exclusion is without prejudice to any other rights the Issuer may have if a different event occurs or has occurred which is deemed to be a Regulatory Event); and
 - (B) notwithstanding (ii)(A) above, any mandatory application of the Statutory Loss Absorption Regime to the Tier 2 Notes under applicable law which results in the Tier 2 Notes being fully or partially excluded from the Tier 2 Capital of the Issuer on a solo and/or consolidated basis shall constitute a Regulatory Event under these Conditions unless such mandatory application of the Statutory Loss Absorption Regime would not have resulted in the Tier 2 Notes being so excluded from the Tier 2 Capital of the Issuer had the Issuer exercised its Amendment Option.
- (iii) *Automatic disapplication of Non-Viability Loss Absorption Condition.*

If the Statutory Loss Absorption Regime is applied mandatorily to the Tier 2 Notes under applicable law, the Non-Viability Loss Absorption Condition will (only to the extent required by the Statutory Loss Absorption Regime) cease to apply and the Notes will be subject to such minimum requirements of the Statutory Loss Absorption Regime required to ensure that the Notes continue to qualify as Tier 2 Capital with effect from the date on which the Statutory Loss Absorption Regime takes effect.

- (iv) *Notification etc.* For the avoidance of doubt, if a Non-Viability Event occurs on or after such date on which the Non-Viability Loss Absorption Condition ceases to apply in accordance with these Conditions, (a) the Issuer will notify Tier 2 Noteholders in accordance with Condition 20 (*Notices*) that a Non-Viability Event has occurred and (b) the Relevant

Regulator or the Issuer, following instructions from the Relevant Regulator, may take such action in respect of the Tier 2 Notes as is required or permitted by such Statutory Loss Absorption Regime.

(e) *No Liability of Agents*

None of the Agents shall have any responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with a Non-Viability Event, the Non-Viability Condition (or its disapplication) or any consequent Write-off and cancellation of any Tier 2 Notes or any claims in respect thereof, and none of the Agents shall be responsible for any calculation or determination or the verification of any calculation or determination in connection with the foregoing.

6. **Negative Pledge**

(a) *Application:* This Condition 6 only applies to Unsubordinated Notes.

(b) *Negative Pledge:* So long as any Unsubordinated Note remains outstanding, the Issuer shall not, and the Issuer shall procure that none of its Principal Subsidiaries shall, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Unsubordinated Notes equally and rateably therewith or (b) providing such other security for the Unsubordinated Notes, as may be approved by an Extraordinary Resolution of Noteholders.

7. **Fixed Rate Note Provisions**

(a) *Application:* This Condition 7 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 12 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 7 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

(d) *Calculation of interest amount:* The amount of interest payable in respect of each Note for any period for which (i) a Fixed Coupon Amount is not specified in the relevant Final Terms and (ii) a Reset Coupon Amount has not been determined in accordance with Condition 7(e) (*Determination of Reset Rate of Interest and Reset Coupon Amount(s)*) shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Note divided by the Calculation Amount. For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

(e) *Determination of Reset Rate of Interest and Reset Coupon Amount(s):* If Reset Rate is specified as being applicable in the relevant Final Terms, the Reset Rate of Interest applicable to the Notes for each Reset Interest Period will be determined by the Calculation Agent on the following basis:

- (i) the Calculation Agent will:
 - (A) determine the 5-year Mid Swap Rate which appears on the Swap Rate Screen Page as of 11:00 a.m. (local time in the Relevant Centre) on the relevant Reset Rate of Interest Determination Date; or
 - (B) if the 5-year Mid Swap Rate does not appear on the Swap Rate Screen Page as of 11:00 a.m. (local time in the Relevant Centre) on the relevant Reset Rate of Interest Determination Date or if the Swap Rate Screen Page is unavailable, request the principal Relevant Centre office of each of the Reset Reference Banks to provide a 5-year Mid Swap Rate Quotation as soon as practicable after 11:00 a.m. (local time in the Relevant Centre) on the relevant Reset Rate of Interest Determination Date and:
 - (I) if at least three such 5-year Mid Swap Rate Quotations are provided, eliminate the highest such quotation (or, in the case of equality, one of the highest such quotations) and the lowest quotation (or, in the case of equality, one of the lowest such quotations) and determine the arithmetic mean of the remaining such quotations;
 - (II) if only two such 5-year Mid Swap Rate Quotations are provided, determine the arithmetic mean of such quotations;
 - (III) if only one such 5-year Mid Swap Rate Quotation is provided, use such quotation; or
 - (IV) if no such 5-year Mid Swap Rate Quotation is provided, use (A) in the case of the first Reset Rate of Interest Determination Date, the Initial Mid-Swap Rate and (B) in the case of each subsequent Reset Rate of Interest Determination Date, the 5-year Mid Swap Rate determined on the previous Reset Rate of Interest Determination Date; and
- (ii) the Calculation Agent will, as soon as practicable after determination of the relevant rate in accordance with paragraph (i) above, determine the "Reset Rate of Interest" applicable to the Notes for the relevant Reset Interest Period as the sum of (A) the Reset Margin and (B) the amount determined by the Calculation Agent in accordance with paragraph (i) above.

The Calculation Agent will, as soon as practicable after determination of the Reset Rate of Interest applicable to the Notes for any Reset Interest Period, calculate each Reset Coupon Amount in relation to each Interest Period falling in such Reset Interest Period.

- (f) *Publication of Reset Rate of Interest and Reset Coupon Amount(s)*: If Reset Rate is specified as being applicable in the relevant Final Terms, with respect to each Reset Interest Period, the Calculation Agent will cause the relevant Reset Rate of Interest and the relevant Reset Coupon Amount(s) determined by it, together with the relevant Interest Payment Dates in relation to each Interest Period falling in such Reset Interest Period, to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but in any event not later than the relevant Reset Date. Notice thereof shall also promptly be given to the Noteholders.
- (g) *Notifications etc.*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 by the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Paying Agents and the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

8. Floating Rate Note Provisions

- (a) *Application:* This Condition 8 is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 12 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 8 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the relevant Interest Determination Date;
 - (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the relevant Interest Determination Date;
 - (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (A) request the principal London (in the case of a determination of LIBOR) or Euro-zone (in the case of a determination of EURIBOR) office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date to prime banks in the London (in the case of a determination of LIBOR) or Euro-zone (in the case of a determination of EURIBOR) interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
 - (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time, and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (d) *ISDA Determination*: If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
 - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
 - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is as specified in the relevant Final Terms.
- (e) *Maximum or Minimum Rate of Interest*: If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (f) *Linear Interpolation*: Where Linear Interpolation is specified as being applicable in respect of an Interest Period in the relevant Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined) or the relevant Floating Rate Option (where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period **provided, however, that** if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.
- "Designated Maturity"** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.
- (g) *Calculation of Interest Amount*: The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- (h) *Calculation of other amounts*: If the relevant Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Final Terms.
- (i) *Publication*: The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents, and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have

then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.

- (j) *Notifications etc.*: All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 8 by the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Paying Agents and the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (k) *Exempt Notes*: In the case of Exempt Notes where the relevant Pricing Supplement identifies that Screen Rate Determination applies to the calculation of interest, if the Reference Rate from time to time is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Exempt Notes will be determined as provided in the applicable Pricing Supplement.

9. **Zero Coupon Note Provisions**

- (a) *Application*: This Condition 9 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.
- (b) *Late payment on Zero Coupon Notes*: If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

10. **Dual Currency Note Provisions**

This Condition has been intentionally deleted.

11. **Redemption, Purchase, Substitution and Variation**

- (a) *Scheduled redemption*: Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 12 (*Payments*), and further subject (in the case of Tier 2 Notes) to any Write-off as provided for in Conditions 5(c) (*Non-Viability Loss Absorption*) and 5(d) (*Disapplication of Non-Viability Loss Absorption Condition*).
- (b) *Redemption for tax reasons*: Subject to Condition 11(e) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes and exercise of the Amendment Option*), the Notes may be redeemed at the option of the Issuer in whole, but not in part if a Tax Event (Gross up) or (in the case of Tier 2 Notes only) a Tax Event (Deductibility) occurs and is continuing:

- (i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Final Terms as being applicable or, if they are, such provisions are not applicable at the time of redemption); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and are applicable at the time of redemption),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 20 (*Notices*) and to the Registrar and the Fiscal Agent, at (A) in the case of a Tax Event (Gross up), their Early Redemption Amount (Tax Gross up) or (B) in the case of a Tax Event (Deductibility), their Early Redemption Amount (Tax Deductibility), plus in either case accrued interest (if any) to the date fixed for redemption, in each case subject (in the case of Tier 2 Notes) to any Write-off as provided for in Conditions 5(c) (*Non-Viability Loss Absorption*) and 5(d) (*Disapplication of Non-Viability Loss Absorption Condition*),

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

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

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent advisers of recognised standing to the effect that a Tax Event (Gross up) or a Tax Event (Deductibility), as applicable, has occurred. Upon the expiry of any such notice as is referred to in this Condition 11(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 11(b).

- (c) *Redemption for regulatory reasons*: Subject to Condition 11(e) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes and exercise of the Amendment Option*), any Series of Tier 2 Notes may be redeemed at the option of the Issuer in whole, but not in part:

- (i) at any time (if the Floating Rate Note Provisions are not specified in the relevant Final Terms as being applicable or, if they are, such provisions are not applicable at the time of redemption); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable and are applicable at the time of redemption),

on giving not less than 30 nor more than 60 days' notice prior to the date of such redemption (the "**Regulatory Redemption Date**") to Noteholders (which notice shall be irrevocable) in accordance with Condition 20 (*Notices*) and to the Registrar and the Fiscal Agent, at their Early Redemption Amount (Regulatory), together with interest accrued (if any) to the Regulatory Redemption Date, subject to any Write-off as provided for in Conditions 5(c) (*Non-Viability Loss Absorption*) and 5(d) (*Disapplication of Non-Viability Loss Absorption Condition*), if a Regulatory Event occurs and is continuing.

Prior to the publication of any notice of redemption pursuant to this Condition 11(c), the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two directors of the Issuer stating that the Issuer

is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) and (if required pursuant to the Capital Regulations in force at the relevant time) written confirmation from the Relevant Regulator to the Issuer that the aggregate outstanding nominal amount of the Notes of any Series which comprise Tier 2 Capital on the Issue Date is, as a result of a Regulatory Change, fully or partially, as the case may be, excluded from Tier 2 Capital of the Issuer on a solo and/or a consolidated basis. Upon the expiry of any such notice as is referred to in this Condition 11(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 11(c).

In these Conditions, "**Early Redemption Amount (Regulatory)**" means:

- (a) if "**Make Whole Amount**" is specified in the relevant Final Terms, the amount which is the higher of (i) the principal amount outstanding of the Notes or (ii) the sum, as determined by an Independent Investment Bank, of the present values of the remaining scheduled payments of principal and interest on the Notes to be redeemed (not including any portion of such payments of interest accrued to the Regulatory Redemption Date) discounted to the Regulatory Redemption Date on an annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Regulatory Reference Rate plus the Make Whole Margin specified in the relevant Final Terms, where:

"**CA Selected Bond**" means a government security or securities (which, if the Specified Currency is euro, will be a German *Bundesobligationen*) selected by the Independent Investment Bank as having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Notes;

"**Reference Bond**" means (i) if "CA Selected Bond" is specified in the relevant Final Terms, the relevant CA Selected Bond or (ii) if "CA Selected Bond" is not specified in the relevant Final Terms, the security specified in the relevant Final Terms;

"**Reference Bond Price**" means (i) the arithmetic average of five Reference Market Maker Quotations for the relevant Regulatory Redemption Date, after excluding the highest and lowest Reference Market Maker Quotations, (ii) if the Independent Investment Bank obtains fewer than five, but more than one, such Reference Market Maker Quotations, the arithmetic average of all such quotations, or (iii) if only one such Reference Market Maker Quotation is obtained, the amount of the Reference Market Maker Quotation so obtained;

"**Reference Market Maker Quotation**" means, with respect to each Reference Market Maker and any Regulatory Redemption Date, the arithmetic average, as determined by the Independent Investment Bank, of the bid and asked prices for the Reference Bond (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Bank at the Quotation Time specified in the relevant Final Terms on the date which is the third Business Day in London prior to the Regulatory Redemption Date;

"**Reference Market Maker**" means a broker or market maker of securities such as the Reference Bond selected by the Independent Investment Bank or such other person operating in the market for securities such as the Reference Bond as is selected by the Independent Investment Bank in consultation with the Issuer; and

"**Regulatory Reference Rate**" means, with respect to any Regulatory Redemption Date, the rate per annum equal to the equivalent yield to maturity of the Reference Bond, calculated using a price for the Reference Bond (expressed as a percentage of its principal amount) equal to the Reference Bond Price for such Regulatory Redemption Date. The Regulatory Reference Rate will be calculated on the date which is the third Business Day in London prior to the Regulatory Redemption Date; or

- (b) if "**Make Whole Amount**" is not specified in the relevant Final Terms, such amount as is specified in the relevant Final Terms.
- (d) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Final Terms as being applicable, (subject (in the case of Tier 2 Notes) to Condition 11(e) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes and exercise of the Amendment Option*)) the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) upon the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the relevant Notes on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date), subject (in the case of Tier 2 Notes) to any Write-off as provided for in Conditions 5(c) (*Non-Viability Loss Absorption*) and 5(d) (*Disapplication of Non-Viability Loss Absorption Condition*).
- (e) *Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes and exercise of the Amendment Option:* For so long as the applicable Capital Regulations so require, and subject to the applicable Capital Regulations, Tier 2 Notes may be redeemed, purchased and cancelled, modified, substituted or varied (as applicable) at the option of the Issuer pursuant to this Condition 11 (*Redemption, Purchase, Substitution and Variation*) and the Issuer may exercise the Amendment Option, in each case only and provided that:
- (i) the Issuer has notified the Relevant Regulator of its intention to redeem, purchase and cancel, modify, substitute or vary the relevant Tier 2 Notes or exercise the Amendment Option (as applicable) at least one month (or such other period, longer or shorter, as the Relevant Regulator may then require or accept) prior to the date scheduled for such redemption, purchase and cancellation, modification, substitution, variation or exercise, as the case may be, and (if required pursuant to the Capital Regulations in force at the relevant time) written approval of the same has been received from the Relevant Regulator (in any case, only if and to the extent such a notification or approval is required by the applicable Capital Regulations); and
- (ii) for so long as the applicable Capital Regulations so require, such redemption, purchase and cancellation, modification, substitution, variation or exercise (as applicable) is effected in accordance with conditions (if any) approved by the Relevant Regulator.
- (f) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 11(d) (*Redemption at the option of the Issuer*), each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date.
- (g) *Redemption at the option of Noteholders:* This Condition 11(g) applies only to Unsubordinated Notes. If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Unsubordinated Note redeem such Unsubordinated Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 11(g), the Holder of an Unsubordinated Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit the Note Certificate relating to such Unsubordinated Note with any Paying Agent together with a duly completed Put Option Notice in the form obtainable from any Paying Agent. No Note Certificate, once deposited with a duly completed Put Option Notice in accordance with this Condition 11(g), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), the Unsubordinated Notes evidenced by any Note Certificate so deposited become immediately due and payable or, upon due presentation of any Note Certificate on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, such Note Certificate shall, without prejudice to the exercise of the Put Option, be returned to the Holder by uninsured first class mail (airmail if overseas) at the address specified by such Holder in the relevant Put Option Notice.

- (h) *No other redemption*: The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (f) above.
- (i) *Early redemption of Zero Coupon Notes*: Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
 - (i) the Reference Price; and
 - (ii) the product of the Accrual 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 the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 11(i) or, if none is so specified, a Day Count Fraction of 30E/360.

- (j) *Purchase*: Subject to Condition 11(e) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes and exercise of the Amendment Option*), the Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.
- (k) *Cancellation*: All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries may, at its option, be cancelled and may, if cancelled, not be reissued or resold.
- (l) *Substitution or Variation*: Where Substitution or Variation for Tier 2 Notes is specified in the Final Terms in respect of Tier 2 Notes as being applicable, and a Tax Event (Gross up), Tax Event (Deductibility) or a Regulatory Event has occurred and is continuing, then the Issuer may, subject to Condition 11(e) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes and exercise of the Amendment Option*) and having given not less than 30 nor more than 60 days' notice to the Tier 2 Noteholders in accordance with Condition 20 (*Notices*) (which notice shall be irrevocable) but without any requirement for the consent or approval of the Tier 2 Noteholders, at any time (whether before or following the First Reset Date, if applicable) either substitute all (but not some only) of the Notes for, or vary the terms of the Notes so that they remain or, as appropriate, become, Qualifying Tier 2 Securities. Upon the expiry of such notice, the Issuer shall either vary the terms of or substitute the Notes in accordance with this Condition 11(l) (*Substitution or Variation*), as the case may be.

Prior to the publication of any notice of substitution or variation pursuant to this Condition 11(l) (*Substitution or Variation*), the Issuer shall deliver to the Fiscal Agent a certificate signed by two directors of the Issuer stating that (A) the Issuer is entitled to effect such substitution or variation and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to effect such substitution or variation have occurred and (B) the relevant Qualifying Tier 2 Securities will as from the date of such substitution or variation otherwise comply with the requirements of the definition of "Qualifying Tier 2 Securities" set out in Condition 2 (*Interpretation*).

12. **Payments**

- (a) *Principal*: Payments of principal shall be made by cheque drawn in the currency in which the payment is due on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

- (b) *Interest:* Payments of interest shall be made by cheque drawn in the currency in which the payment is due on, or, upon application by a Holder of a Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (c) *Payments subject to fiscal laws:* All payments by or on behalf of the Issuer in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the Payment Business Day immediately preceding the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 12(d) arriving after the due date for payment or being lost in the mail.
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date:* Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

13. **Taxation**

- (a) *Gross up:* All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of South Africa or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such Taxes is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:
 - (i) presented for payment by, or on behalf of, or held by, a Holder which is liable to such Taxes in respect of such Note by reason of its having some connection with South Africa other than the mere holding of such Note; or

- (ii) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days; or
 - (iii) presented for payment by or on behalf of, or held by, a Holder who could lawfully avoid (but has not so avoided) such deduction or withholding by complying with any statutory requirements in force at the present time or in the future by making a declaration of non-residence or other claim or filing for exemption to which it is entitled to the relevant tax authority or the Paying Agent.
- (b) *FATCA withholding*: All payments by or on behalf of the Issuer in respect of the Notes will be made subject to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.
- (c) *Taxing jurisdiction*: If the Issuer becomes subject at any time to any taxing jurisdiction other than South Africa, references in these Conditions to South Africa shall be construed as references to South Africa and/or such other jurisdiction.

14. Events of Default

14.1 Events of Default relating to Unsubordinated Notes

This Condition 14.1 only applies to Unsubordinated Notes.

If any of the following events occurs and is continuing:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes within five days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 10 days of the due date for payment thereof; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Deed of Covenant and such default remains unremedied for 30 days after written notice thereof, has been delivered by any Noteholder to the Issuer or to the Specified Office of the Fiscal Agent (addressed to the Issuer); or
- (c) *Cross-default of Issuer or Principal Subsidiary*:
 - (i) any Financial Indebtedness of the Issuer or any of its Principal Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
 - (ii) any such Financial Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Principal Subsidiary or (**provided that** no Event of Default, howsoever described, has occurred) any Person entitled to such Financial Indebtedness; or
 - (iii) the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Financial Indebtedness;

provided that the amount of Financial Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds U.S.\$10,000,000 (or its equivalent in any other currency or currencies); or

- (d) *Unsatisfied judgment*: one or more judgment(s) or order(s) from which no further appeal is permissible under applicable law for the payment of any amount in excess of U.S.\$10,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (e) *Security enforced*: any present or future Security Interest created by the Issuer or any Principal Subsidiary over all or a substantial part of its undertaking, assets and revenues for an amount at the relevant time in excess of U.S.\$10,000,000 (or its equivalent in any other currency or currencies) becomes enforceable and any step is taken to enforce it (including, but not limited to, the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person or analogous event) unless such enforcement is discharged within 45 days or the Issuer or Principal Subsidiary (as the case may be) is contesting such enforcement in good faith; or
- (f) *Insolvency etc.*: (i) the Issuer or its Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator, curator, business rescue practitioner or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Principal Subsidiaries or in respect of the whole or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries, (iii) the Issuer or any of its Principal Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Financial Indebtedness or any Guarantee of any Financial Indebtedness given by it or (iv) the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than (A) in the case of a Principal Subsidiary of the Issuer for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent; or (B) in the case of the Issuer, in respect of a Solvent Reconstruction); or
- (g) *Winding-up etc.*: an order is made or an effective resolution is passed for the winding-up, liquidation, curatorship, dissolution or commencement of business rescue proceedings in respect of the Issuer or any of its Principal Subsidiaries (otherwise than (A) in the case of a Principal Subsidiary of the Issuer for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent; or (B) in the case of the Issuer, in respect of a Solvent Reconstruction); or
- (h) *Analogous event*: any event occurs which under the laws of South Africa or other relevant jurisdiction in the case of a Principal Subsidiary has an analogous effect to any of the events referred to in paragraphs (d) to (g) above; or
- (i) *Failure to take action etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes and the Deed of Covenant, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Note Certificates and the Deed of Covenant admissible in evidence in the courts of South Africa is not taken, fulfilled or done; or
- (j) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Deed of Covenant,

then any Unsubordinated Note may, by written notice from the Holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent (addressed to the Issuer), be declared immediately due and payable, whereupon it shall become immediately due and payable at its nominal amount together with accrued interest (if any) without further action or formality.

14.2 *Events of Default relating to Tier 2 Notes*

This Condition 14.2 only applies to Tier 2 Notes.

- (a) If default shall be made in the payment of any principal or interest due on the Tier 2 Notes of the relevant Series for a period of five days or more after any date on which the payment of principal is due or 10 days or more after any date on which the payment of interest is due (as the case may be), any Tier 2 Noteholder of that Series may, subject to the Capital Regulations and as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove in any winding-up of the Issuer, but take no other action in respect of that default.
- (b) If an order is made or an effective resolution is passed for the winding-up, liquidation or curatorship of the Issuer (other than pursuant to a Solvent Reconstruction), a Tier 2 Note shall, upon written notice from the Holder of such Tier 2 Note to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent (and addressed to the Issuer), be declared immediately due and payable, whereupon it shall become immediately due and payable at its nominal amount together with accrued interest (if any) (subject to Condition 5(b)(iii) (*Subordination*) and the Capital Regulations) without further action or formality.
- (c) Without prejudice to paragraph (a) or (b) above, if the Issuer breaches any of its obligations under the Tier 2 Notes of the relevant Series (other than any obligation in respect of the payment of principal or interest on such Notes) then each Tier 2 Noteholder may at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on such Series of Tier 2 Notes sooner than the same would otherwise have been payable by it.

15. **Prescription**

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

16. **Replacement of Notes**

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Registrar, subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

17. **Agents and Registrar**

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Final Terms. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor Registrar, Fiscal Agent or Calculation Agent and additional or successor Paying Agents; **provided, however, that:**

- (a) the Issuer shall at all times maintain a Fiscal Agent and a Registrar; and
- (b) the Issuer shall at all times maintain a Paying Agent in Europe; and
- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and

- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or Registrar in any particular place, the Issuer shall maintain a Paying Agent and/or a Registrar each with a Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or the Registrar or in their Specified Offices shall promptly be given to the Noteholders.

18. **Meetings of Noteholders; Modification**

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

19. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

20. **Notices**

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or, if posted to an overseas address, by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. In addition, notices to Noteholders will be published on the date of such mailing in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe.

21. **Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second**

currency") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

22. **Rounding**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

23. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law save that Conditions 5(b) (*Status of Tier 2 Notes*), 5(c) (*Non-Viability Loss Absorption*), 5(d) (*Disapplication of the Non-Viability Loss Absorption Condition*) and 11(e) (*Conditions to Redemption, Purchase, Modification, Substitution or Variation of Tier 2 Notes and exercise of the Amendment Option*) are governed by, and shall be construed in accordance with, South African law.
- (b) *English courts:* Subject to Condition 23(d) (*Rights of the Noteholders to take proceedings outside England*), the courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes).
- (c) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England:* Condition 23(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 23 prevents any Noteholder from (to the extent allowed by law) taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Process agent:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to FirstRand Bank Limited (London Branch) at Austin Friars House, 2-6 Austin Friars, London EC2N 2HD, United Kingdom or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at which process may be served on it in accordance with Part XXIII of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer

and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

Each Global Note will be in registered form. Consequently, in relation to any Tranche of Notes represented by a Global Note Certificate, references in the Terms and Conditions of the Notes to "**Noteholders**" are references to the registered holder of the relevant Global Note Certificate which, for so long as the Global Note Certificate is registered in the name of a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system (or the nominee of any such depository or common depository), will be that depository or common depository (or that nominee).

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note Certificate (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the registered holder of such Global Note Certificate and in relation to all other rights arising under the Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by the Global Note Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the registered holder of the Global Note Certificate.

Exchange of Global Note Certificates

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure the prompt delivery (free of charge to the registered holder) of such Individual Note Certificates, duly authenticated, in an aggregate principal amount equal to the principal amount of the Global Note Certificate to the registered holder of the Global Note Certificate against the surrender of the Global Note Certificate to or to the order of the Registrar within 30 days of the registered holder requesting such exchange.

If:

- (a) Individual Note Certificates have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the registered holder of a Global Note Certificate has duly requested exchange of the Global Note Certificate for Individual Note Certificates; or
- (b) a Global Note Certificate (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Notes or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the registered holder of the Global Note Certificate in accordance with the terms of the Global Note Certificate on the due date for payment,

then the Global Note Certificate (including the obligation to deliver Individual Note Certificates) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the registered holder of the Global Note Certificate will have no further rights thereunder (but without prejudice to the rights which the registered holder of the Global Note Certificate or others may have under the Deed of Covenant. Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note Certificate will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Note Certificate became void, they had been the registered holders of Individual Note Certificates in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Conditions applicable to Global Note Certificates

Each Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note Certificate. The following is a summary of certain of those provisions:

Payments: All payments in respect of the Global Note Certificate will be made against presentation for endorsement of the Global Note Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note Certificate, the Issuer shall procure that the payment is noted in a schedule thereto.

Record date: All payments in respect of Notes represented by a Global Note Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) immediately prior to the date of payment.

Exercise of put option: In order to exercise the option contained in Condition 11(g) (*Redemption at the option of Noteholders*) the registered holder of the Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note Certificate and put option notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

Partial exercise of call option: In connection with an exercise of the option contained in Condition 11(d) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Global Note Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg.

Notices: Notwithstanding Condition 20 (*Notices*), while all the Notes are represented by a Global Note Certificate and the Global Note Certificate is deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

DESCRIPTION OF FIRSTRAND BANK LIMITED

OVERVIEW

FirstRand Bank Limited (the "**Bank**" or the "**Issuer**") is a wholly owned subsidiary of FirstRand Limited ("**FirstRand**"), which is a bank controlling company for the purposes of the South African Banks Act 1990. FirstRand is listed on the Johannesburg Stock Exchange (the "**JSE**") and the Namibian Stock Exchange (the "**NSX**"), and is one of the largest financial institutions in South Africa, with a market capitalisation of R377.2 billion (equivalent to U.S.\$30.7 billion at a U.S.\$/R exchange rate of 12.29) as at 31 December 2017. In this Base Prospectus, references to the "**Group**" are to FirstRand Limited and its subsidiaries (including the Bank and its operating franchises).

The Bank is the second largest bank in South Africa measured by total assets (according to statistics published by the SARB (Source: BA900, SARB)). As at 30 June 2017, the Bank had total assets of R1,082.2 billion (equivalent to U.S.\$82.6 billion at a U.S.\$/R exchange rate of 13.10), compared to R1,031.6 billion (equivalent to U.S.\$70.4 billion at a U.S.\$/R exchange rate of 14.66) as at 30 June 2016. The Bank's profits amounted to R18.5 billion for the year ended 30 June 2017, up from R17.2 billion for the year ended 30 June 2016.

As at 31 December 2017, the Bank had total assets of R1,160.4 billion (equivalent to U.S.\$94.4 billion at a U.S.\$/R exchange rate of 12.29), compared to R1,049.3 billion (equivalent to U.S.\$76.5 billion at a U.S.\$/R exchange rate of 13.72) as at 31 December 2016. The Bank's profits amounted to R9.6 billion for the six month period ended 31 December 2017, up from R9.5 billion for the six month period ended 31 December 2016.

The Bank holds a full banking licence granted by the SARB 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. It is a Central Securities Depository Participant in STRATE Limited and is a member of the JSE. Through FirstRand Securities (a wholly-owned subsidiary of FRIHL (as defined below)), the Group is member of the interest-rate derivatives clearing service, SwapClear, one of the clearing platforms provided by multi-national clearing house LCH.

The Bank was incorporated and registered in South Africa on 11 January 1929 under registration number 1929/001225/06 and is a public company with limited liability duly registered under the company laws of South Africa. The Bank's headquarters and registered address are located at 4 Merchant Place, Corner of Fredman Drive and Rivonia Road, Sandton, 2196, South Africa (telephone number: +27 11 282 1808; fax number: +27 11 282 8088).

The Group's portfolio of operating franchises provides a universal set of transactional, lending, investment and insurance products and services. The Group executes its strategy through its subsidiaries and divisions (including the Bank). The Bank performs the banking activities of the Group within South Africa and is the most significant contributor to the Group's revenues and profits. The Bank operates through three major divisions (referred to as "operating franchises") which are separately branded, comprising First National Bank ("**FNB**"), the retail and commercial bank, Rand Merchant Bank ("**RMB**"), the corporate and investment bank and **WesBank**, the instalment finance business. Some of the activities of these operating franchises are undertaken outside of the Bank in other wholly-owned subsidiaries of the Group, namely, FirstRand EMA Holdings Limited ("**FREMA**"), FirstRand Investment Holdings (Pty) Ltd ("**FRIHL**"), FirstRand Investment Management Holdings Limited and FirstRand Insurance Holdings (Pty) Ltd.

FirstRand Limited and FirstRand Bank Limited

In addition to its operations in South Africa, the Bank operates through branches in London (including MotoNovo Finance which is a business segment of the London Branch), Guernsey (trading as FNB Channel Islands) and India and has representative offices in Kenya, Angola, Dubai and Shanghai.

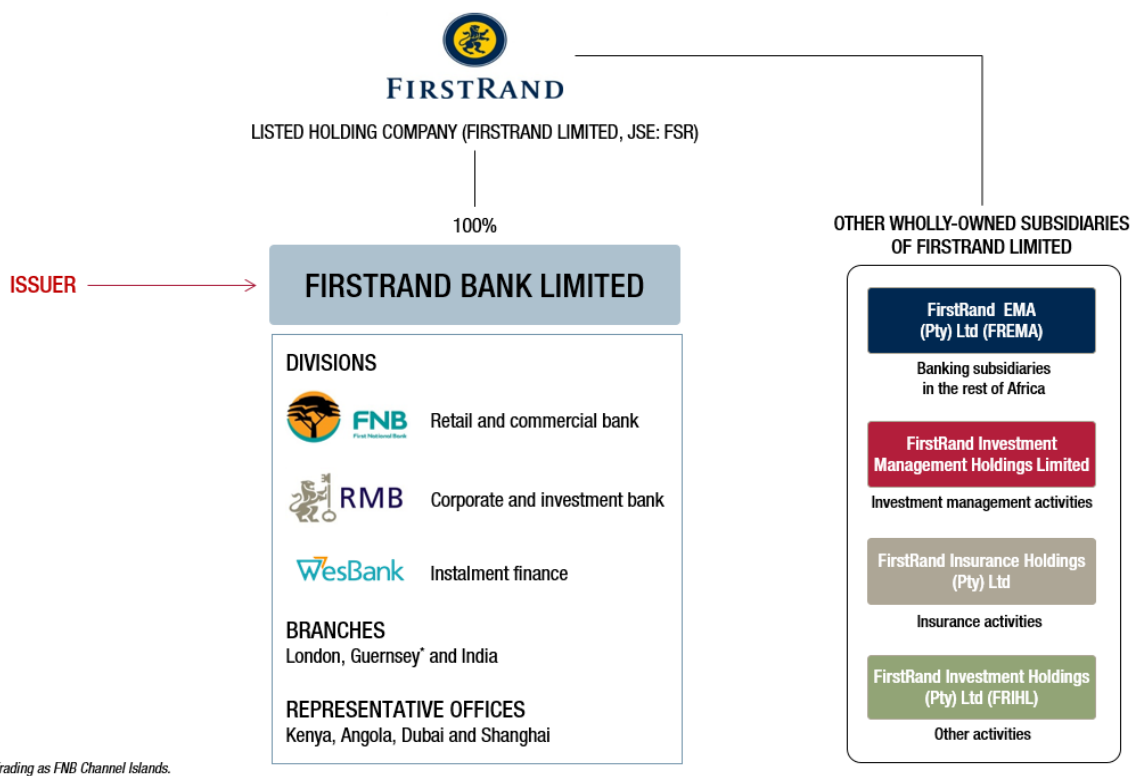
The Bank is a significant contributor to the Group's financial position. In the year ended 30 June 2017, the Bank accounted for 74 per cent. of the Group's normalised earnings, 89 per cent. of the Group's total assets and 77 per cent. of the Group's net asset value. In the six month period ended 31 December 2017, the Bank accounted for 74 per cent. of the Group's normalised earnings, 90 per cent. of the Group's total assets and 79 per cent. of the Group's net asset value.

The Group also has full service banking subsidiaries in Namibia, Botswana, Swaziland, Lesotho, Zambia, Mozambique, Tanzania and Ghana, and a corporate and investment banking subsidiary in Nigeria. These banking subsidiaries outside of South Africa form part of FREMA and therefore do not form part of the operations of the Bank and their financial performance is not consolidated with the financial performance of the Bank for the purposes of the Bank's financial statements.

The Group's broader financial services activities provide a benefit to the Bank as it enables a comprehensive customer offering (which may include products and services offered off the Group's insurance or asset management licences/platforms and which are not part of the Bank) that further entrenches the Bank's relationship with its core transactional clients. This supports the Bank in its strategy to protect and grow its transactional and lending franchises. The Bank also benefits from having access to the Group's technology platforms, customer bases, risk and financial resource management capabilities.

Furthermore, the Group's subsidiaries in a number of African countries provide RMB with access to additional revenue opportunities beyond the borders of South Africa, such as cross-border lending and trade finance.

The chart below sets out the position of the Bank and its operating franchises relative to FirstRand Limited.



STRATEGY

The Group's portfolio of operating franchises provides a universal set of transactional, lending, investment and insurance products and services. The franchises operate in markets and segments where they can deliver competitive and differentiated client-centric value propositions, leveraging the relevant distribution channels, product skills, licences and operating platforms of the wider group. Strategy is executed on the back of disruptive and innovative thinking underpinned by disciplined allocation of financial resources.

The Group's Strategic Executive Committee comprising the FirstRand Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Group Treasurer, Head of Group Human Capital and Sustainability and the franchise CEOs, determine strategy and is accountable for overall performance.

The Group executes its strategy through appropriate platforms (legal entities) of which the Bank is one. The Bank is currently the most significant contributor to the Group's revenues and profits. As at 31 December 2016

and as at 31 December 2017, the Bank contributed 82 per cent. of the Group's total gross revenues (net interest income before impairment of advances, non-interest income and share of profits of associates and joint ventures). It is also a key enabler for the Group's current growth and diversification strategies and the Bank's strategy is therefore aligned to the overall Group strategy.

The Bank's lending and transactional franchises have delivered sustained growth since 2010, resulting from the acquisition of a deep and loyal customer base. The Bank's strategy is to protect and grow these valuable banking franchises through:

- growing profitable market share through growing and retaining customers across all segments through differentiated, client-centric customer value propositions;
- cross-sell and up-sell strategies in its retail and commercial franchises supported by rewards programmes;
- continued e-migration (i.e. encouraging customers to transact on electronic platforms such as the banking app, online banking, cellphone banking and automated teller machines ("ATMs") / automated deposit terminals ("ADTs") as opposed to manual transactions in branches), which underpins the sustainability of the retail transactional franchise;
- targeted, prudent origination strategies across all portfolios;
- continued growth in the deposit franchise across retail, commercial and corporate segments;
- disciplined allocation of financial resources (including capital, funding and liquidity, and risk appetite);
- leveraging the Group's platforms (i.e. customer bases, distribution channels and systems); and
- driving efficiencies.

The Bank's origination capabilities and distribution networks are also facilitating a broader diversification strategy for the Group as it looks to capture a larger share of profits from savings, insurance and investment products within its existing customer base.

The Group continues to execute on its strategic framework and the customer-facing operating franchises are increasingly leveraging the portfolio's technology platforms, customer bases, distribution channels, licences and skills.

The Group believes that leveraging Group-wide resources is key to protecting and growing the Bank's large and successful lending and transactional franchises. For example, RMB's origination business benefits from the Group's ability to manufacture credit funds on its asset management platform (which falls outside the Bank). In addition, FNB is able to generate non-interest revenue through the sale of investment products manufactured on the Group's asset management platform.

For further information, see "*Overview of the Bank's operating franchises*" below.

Regional presence and growth strategies outside of South Africa

Outside of its domestic market, the Group has acquired Aldermore plc in the UK and will integrate its existing retail vehicle and asset finance business, MotoNovo Finance, into the Aldermore portfolio. The Group believes that this will create a more diversified lending business in the UK with a sustainable funding franchise. The Group believes that this would improve the Group's hard-currency funding capacity to support its regional strategy, including the Bank's cross-border client needs.

The Group is growing its presence and offerings in nine markets in the rest of Africa where it believes it can organically build competitive advantage and scale over time. The Group's subsidiaries in the rest of Africa are subsidiaries of FREMA and therefore their operations fall outside of the Bank.

In the rest of Africa, the Bank's balance sheet is utilised in RMB's cross-border lending and trade finance activities. The Bank's representative office in Kenya focuses on what is the trade and investment hub of east Africa, with increasing flows from China and India. The Bank's Angolan representative office provides a platform to identify investment banking opportunities across this region.

The Middle East remains an important source of global capital and the Bank's representative office, based in Dubai, plays a pivotal role in facilitating investment into the African continent and investment flows between Europe, Africa and Asia.

China is strategically important to the African continent's growth story. The Shanghai representative office, which was opened in 2007, facilitates trade flows between China and the African continent and supports the ongoing investment and infrastructural development that China is able to provide.

With the increased international investment in the African continent, the major focus of the Bank's London branch is one of funding through capital and banking markets. It has built a particularly strong track record in arranging and distributing African-based debt instruments.

The Guernsey branch (trading as FNB Channel Islands) was established in 2015. It primarily services high income and high net worth customers, providing the Bank with hard-currency deposits, further enabling funding diversification to support hard-currency lending activities.

The Bank remains the only South African bank with a branch in India. The India branch has a well-established and profitable corporate and investment banking franchise, which services Indian clients' active in the Indo-Africa corridor. The services offered range from advisory, financing, trade, debt capital markets and a global offering with strong focus on commodities. In-country financing is also provided in support of the corridor financing activities. The Indian operation benefits from a number of relationships with local Indian partners, which ensure that the investment banking offering encompasses inward investment.

COMPETITIVE STRENGTHS

The Bank believes that it has a number of competitive strengths, which have generated strong revenue growth and profitability over the last 5 years.

Multi-branded operating model

The Group's multi-branded model has enabled each franchise to calibrate its brand, strategies and client propositions to specific segments and sub-segments. This has, over time, resulted in RMB, FNB and WesBank being recognised as market leaders in South Africa in the specific markets in which they operate.

In particular, FNB is widely considered to be the leading retail and commercial banking franchise in South Africa, particularly its transactional customer franchise, which has consistently grown over the past five years. Much of the growth has been achieved on the back of innovation particularly in the digital space.

RMB has a market leading origination franchise and, as a result, participates in a large share of corporate activity in its domestic market.

WesBank's leading position in its chosen markets is due to its long-standing alliances with leading motor manufacturers, suppliers and dealer groups which has provided a strong point-of-sale presence.

Financial resource management

The Bank benefits from the Group's management of financial resources, which it defines as capital, funding and liquidity, and risk capacity, which is critical to successful execution of the Bank's objectives and supportive to the achievement of the Group's stated growth and return targets. Financial resource management is executed through Group Treasury and is independent of the operating franchises. This ensures the required level of discipline is applied in the allocation of financial resources and pricing of these resources. This also ensures that Group Treasury's mandate is aligned with the operating franchises' growth, return and volatility targets to deliver shareholder value.

The Bank's performance management framework seeks to align executive management remuneration with shareholder value creation. The Group's key performance measure, net income after cost of capital ("**NIACC**"), ensures that the link between pay and performance is direct. The Bank considers that this combination of alignment with shareholders in its performance management framework and the way it allocates financial resources is unique and has had a direct benefit to the Bank's performance. The Bank has consistently produced a return on equity ("**ROE**") of between 21.9 per cent. and 23.0 per cent. over the past five years. This level of ROE is significantly higher than the other large major South African banks over the same period.

The Bank's strategy of disciplined allocation and pricing of financial resources and portfolio mix has enabled it to generate a structurally higher ROA over the last five years in comparison to other major South African banks. The Bank has a relatively larger transactional franchise which contributes 76 per cent. of Non Interest Revenue ("**NIR**"). The nature of the Bank's loan portfolio and the relative sizes of the Bank's product and sector allocations within its advances portfolio has also allowed it to deliver strong risk-adjusted margins relative to other major South African banks. In particular, the Bank has maintained a relatively lower market share of lower-margin, lower-risk lending business (such as mortgages which constituted 49.4 per cent of its retail advances as at 31 December 2017, compared to 50.4 per cent. as at 30 June 2017) while maintaining within its retail portfolio assets which generate higher risk-adjusted margins (such as a vehicle and asset finance which constituted 33.2 per cent. of retail advances, and unsecured lending which constituted 17.4 per cent. of retail advances as at 31 December 2017, compared to 32.3 per cent. and 17.3 per cent., respectively, as at 30 June 2017).

OVERVIEW OF THE BANK'S OPERATING FRANCHISES

Aligned to the overall strategic framework described above, the Bank's operating franchises execute growth strategies appropriate to their segments and customer bases. The table below provides a high-level summary of the key financial metrics for the Bank and each of its operating franchises as at and for the six month period ended 31 December 2017 and as at and for the year ended 30 June 2017.

Six month period ended 31 December 2017

<i>R million</i>	Total FNB*	RMB†	WesBank	FCC (including Group Treasury) and other	FRB - normalised	Normalised adjustments	FRB - IFRS
Profit for the period	6,206	2,265	898	(83)	9,286	269	9,555
Statement of financial position includes:							
Total assets.....	359,300	405,905	178,703	216,457	1,160,365	-	1,160,365
Total liabilities	350,613	402,512	177,494	137,279	1,067,898	-	1,067,898
Credit loss ratio (%)	1.07	0.04	2.04		0.84		
Cost-to-income (%)	54.5	50.9	49.4		55.2		

* Comprises FNB and FNB Africa (FNB Africa results reported herein relate to the Bank's head office costs. Earnings of the African subsidiaries form part of FREMA and are not reported within the Bank).

† Comprises investment banking and corporate banking.

Source: FirstRand Bank Limited Analysis of Financial Results for the six month period ended 31 December 2017. This information is unaudited and unreviewed, and presented on a normalised basis.

Year ended 30 June 2017

<i>R million</i>	Total FNB*	RMB†	WesBank	FCC (including Group Treasury) and other	FRB - normalised	Normalised adjustments	FRB - IFRS
Profit for the year	11,415	4,140	2,313	458	18,326	211	18,537
Statement of financial position includes:							
Total assets	347,611	391,094	170,523	172,923	1,082,151	-	1,082,151
Total liabilities	331,885	386,200	167,327	109,366	994,778	-	994,778
Credit loss ratio (%)	1.12	0.24	1.80		0.88		
Cost-to-income (%)	54.5	51.9	45.8		54.4		

* Comprises FNB and FNB Africa (FNB Africa results reported herein relate to the Bank's head office costs. Earnings of the African subsidiaries form part of FREMA and are not reported within the Bank).

† Comprises investment banking and corporate banking.

FNB

FNB represents the Bank's activities in the retail and commercial segments in South Africa. FNB is growing its franchise on the back of a customer offering that provides a broad range of financial services products. FNB's normalised earnings for the year ended 30 June 2017 amounted to R11,415 million (63.1 per cent. of the Bank's normalised earnings for the year ended 30 June 2017), an increase of 7 per cent. from R10,658 million for the year ended 30 June 2016 (61.4 per cent. of the Bank's normalised earnings for the year ended 30 June 2016).

FNB's normalised earnings for the six month period ended 31 December 2017 amounted to R6,206 million (67.7 per cent. of the Bank's normalised earnings for the six month period ended 31 December 2017), an increase of 9 per cent. from R5,708 million for the six month period ended 31 December 2016 (62.9 per cent. of the Bank's normalised earnings for the six month period ended 31 December 2016).

FNB is the biggest contributor to the Bank's net profits.

As at 30 June 2017, FNB had 645 physical representation points (including branches and agencies) and 6,281 ATMs (including ADTs) across South Africa.

Retail segment

FNB's Retail segment focuses on providing financial services solutions to individual customers across all income ranges. The primary business areas for the Retail segment include:

- Residential mortgages (including Wealth mortgages and Housing Finance);
- Credit cards (issuing);
- Personal loans (including micro and student loans); and
- Retail Other, which includes the following business lines:
 - Cheque and transmission products, including cheque and debit cards, overdrafts and revolving loans;
 - Investments and equity products;
 - Certain trust and fiduciary services;
 - Insurance Brokers;

- Rewards (including eBucks, fuel and airtime rewards programmes);
- Electronic banking (including online, cellphone banking, FNB Connect (a mobile virtual network operator or "MVNO"), the banking app); and
- Manual banking (including ATMs/ADTs and physical representation points).

Business segment

FNB's Business segment provides financial solutions, including working capital, structured finance, investment products, transactional banking and term loans to two sub-segments. These segments are Growth (comprising small businesses with turnover up to ZAR10m per annum) and Commercial (medium-sized corporates). FNB's Business segment offers the following products and business lines:

- Cheque and transmission products, including overdrafts and revolving loans;
- Cash management solutions;
- Merchant services (card acquiring);
- eWallet Pro (allows payment to a cellphone number or card to eliminate cash/cheques);
- Investment products;
- Commercial property finance;
- Credit cards;
- Debtor and leveraged finance;
- Securities-based lending;
- Selective invoice discounting;
- Insurance broking;
- Retail and business foreign exchange services;
- Merchant services (card acquiring);
- Rewards (eBucks rewards for Business); and
- Other value add products (e.g. CIPC registration, DocTrail, instant accounting solutions, instant payroll, instant invoicing, instant cashflow, employee value banking solutions).

FNB's strategy

FNB's strategy is to:

- grow and retain core transactional accounts;
- provide digital platforms to deliver cost effective and innovative transactional propositions to its customers;
- use its deep customer relationships and sophisticated data analytics to effectively cross-sell and up-sell a broad range of financial services products;
- apply disciplined origination strategies;
- provide innovative savings products to grow its retail deposit franchise; and
- right-size its physical infrastructure to achieve efficiencies.

RMB

RMB represents the Bank's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. RMB's portfolio spans investment banking, markets and structuring and corporate transactional banking activities. RMB services corporate, institutional and public sector clients across all industries. RMB's private equity and principal investing businesses are activities of FRIHL and do not therefore form part of the operations of the Bank. Certain of RMB's activities in the rest of Africa are booked on the in-country subsidiary's balance sheet and, as these are subsidiaries of FREMA, these activities do not form part of the operations of the Bank. Certain cross-border lending and trade finance activities do, however, utilise the Bank's balance sheet.

RMB's normalised earnings for the year ended 30 June 2017 amounted to R4,140 million (22.9 per cent. of the Bank's normalised earnings for the year ended 30 June 2017), an increase of 12 per cent. from R3,692 million for the year ended 30 June 2016 (21.3 per cent. of the Bank's normalised earnings for the year ended 30 June 2016).

RMB's normalised earnings for the six month period ended 31 December 2017 amounted to R2,265 million (24.7 per cent. of the Bank's normalised earnings for the six month period ended 31 December 2017), an increase of 12 per cent. from R2,016 million for the six month period ended 31 December 2016 (22.2 per cent. of the Bank's normalised earnings for the six month period ended 31 December 2016).

RMB's activities that are represented within the Bank are described in more detail below.

Investment Banking and Advisory

Investment Banking and Advisory activities comprise the majority of RMB's debt and advisory businesses. It offers clients advisory and funding solutions across multiple industries and jurisdictions. The teams utilise various asset classes and currencies to underwrite, arrange and provide funding across the whole capital structure.

- *Corporate finance*: offers advice on a variety of financial transactions, including mergers and acquisitions, capital raising solutions, equity capital market solutions and equity and debt restructuring.
- *Leveraged finance*: develops and structures multi-disciplinary, integrated financial solutions across the entire debt financing spectrum for clients that want to implement acquisitions, balance sheet optimisation, recapitalisations, and management and leveraged buy-outs.
- *Resource finance*: offers solutions to clients in the mining, oil and gas industries across all commodities.
- *Infrastructure finance*: provides funding solutions across all key sectors, including: public-private-partnerships, conventional power, renewable energy, road, rail, ports, water, telecommunications, industrial facilities and manufacturing facilities across sub-Saharan Africa.
- *Real estate finance*: supports transaction origination and structures and participates in long-term debt, underwriting and distribution solutions for the listed property sector and owners of large, unlisted portfolios in South Africa and sub-Saharan Africa.
- *Structured asset finance*: offers structured term-funding and off-balance sheet finance solutions to RMB's clients who acquire or use moveable assets.
- *Debt capital markets*: offers corporate clients, government and parastatals in South Africa and sub-Saharan Africa on- and off-balance sheet financing solutions in both the local and global debt capital markets to meet their capital raising requirements.

Markets and Structuring

Markets and Structuring activities include financial risk management and hedging solutions across the interest rate, currency, liquidity, commodity, equity and credit asset classes, covering execution, asset servicing, prime broking and clearing solutions.

- *Sales*: services institutional and selected corporate clients in respect of derivative and capital markets-based financial solutions across fixed income, currency and commodities.
- *Structuring*: provides structuring services in respect of client needs across asset classes.
- *Trading*: provides trading services in fixed income, currencies and commodities securities and derivatives across fixed income, currency, commodity, credit and equity asset classes. The equities structuring and derivative trading activities fall within the scope of the Bank as well as some agency services (such as prime broking, futures clearing and securities lending). Other equities activities (such as stockbroking) are carried out by FRIHL and not the Bank.
- *Prime Services*: execution, financing, asset servicing, custody and clearing facilities to RMB's largely institutional client base.

Corporate and Transactional Banking

Corporate and Transactional Banking activities include servicing corporate, institutional and public sector clients to assist with their day-to-day banking and working capital needs, including:

- *Transactional banking*: provides money market liabilities, transactional accounts, electronic banking, cash and liquidity management;
- *Trade and working capital*: provides a range of short term facilities and trade finance and risk management solutions;
- *Global forex*: provides foreign exchange dealing, cross border payments and collection services, custody, clearing and settlement; and
- *Hyphen*: provides transactional solutions to corporates around integration, switching and reconciliation.

RMB's strategy

RMB seeks to leverage its market leading origination franchise to deliver an integrated corporate and investment banking value proposition to corporate and institutional clients. This, combined with an expanding market-making and distribution product offering, contributes to a well-diversified and sustainable earnings base. The strategy is underpinned by sound risk management, designed to effectively balance the relationship between profit growth, returns and earnings volatility.

WESBANK

WesBank represents the Bank's activities in instalment credit and related services in the retail, commercial and corporate segments of South Africa and in the UK. WesBank's normalised earnings for the year ended 30 June 2017 amounted to R2,313 million (12.8 per cent. of the Bank's normalised earnings for the year ended 30 June 2017), a decrease of 10 per cent. from R2,560 million for the year ended 30 June 2016 (14.8 per cent. of the Bank's normalised earnings for the year ended 30 June 2016).

WesBank's normalised earnings for the six month period ended 31 December 2017 amounted to R0.898 million (9.8 per cent. of the Bank's normalised earnings for the six month period ended 31 December 2017), a decrease of 27 per cent. from R1,231 million for the six month period ended 31 December 2016 (13.6 per cent. of the Bank's normalised earnings for the six month period ended 31 December 2016). This decrease is primarily due to a change in securitisation structures within the MotoNovo portfolio, which now includes an on-balance sheet warehousing facility where there is no day one future margin recognition.

WesBank's major business units are described below.

WesBank Motor: WesBank Motor provides vehicle finance to the retail sector and sources its business primarily through motor dealers. It makes use of a joint alliance strategy with a number of vehicle manufacturers and large dealer groups to ensure critical mass and through this model, WesBank has developed a strong presence at the point of sale.

WesBank Corporate: WesBank Corporate specialises in financing assets such as plant, machinery, aircraft, computers, office equipment and vehicle fleets and offers a full range of financing products including instalment sales, financial and operating leases, rentals, term loans, full maintenance leases and fleet management solutions. Lines of credit are established, allowing customers flexibility to draw down on these facilities as the need for additional finance arises. WesBank Corporate has also created a number of profit sharing alliances, similar to those in the Motor division, with industry suppliers, manufacturers and distributors.

WesBank Personal Loans: WesBank Personal Loans provides personal loans, largely to middle market customers and operates through the Direct Axis brand. Loans are marketed and pre-scored to customers through a number of direct marketing channels, including alliance partners in the financial services industry such as WesBank, Sanlam, Clientele and the Telesure Group.

MotoNovo: MotoNovo is based in the United Kingdom. It finances primarily used cars, light commercial vehicles and motorbikes through traditional hire purchase products, as well as more recently on private contract purchase, via independent motor dealers and a strong online presence. It also provides dealer funding facilities and recently launched personal loans into its existing client base, further diversifying its product offering.

WesBank's strategy

WesBank provides a range of lending solutions across direct and indirect channels which are both innovative and efficient. It has successfully executed on a long-term, consistent strategy to diversify and grow, operating in jurisdictions where it can deliver a differentiated value proposition and establish a strong competitive advantage. In both South Africa and the UK, WesBank continues to build on its market leading position by protecting and growing its long-standing alliances with leading motor manufacturers, suppliers and dealer groups.

FIRSTSTRAND CORPORATE CENTRE ("FCC")

FCC provides key Group-wide functions, including Group Treasury (capital, funding, liquidity and financial resource management), Group Finance, Group Tax, Enterprise Risk Management ("**ERM**"), Regulatory Risk Management ("**RRM**") and Group Internal Audit.

The Group's financial resource management process is executed through Group Treasury and is independent of the operating franchises. This facilitates the appropriate allocation of financial resources and pricing of these resources. This also ensures that Group Treasury's mandate is aligned with the operating franchises' growth, return and volatility targets, to deliver shareholder value. Group Treasury retains responsibility for capital planning and advises the Board, as well as the Strategic executive committee, on potential capital actions, dividend strategy and other capital management related topics.

The ERM function provides central independent oversight and risk control as part of the risk governance structure.

The RRM function ensures that business practices, policies, frameworks and approaches across the organisation are consistent with applicable laws.

Group Internal Audit provides independent assurance of the adequacy and effectiveness of risk management practices.

RECENT DEVELOPMENTS

On 15 November 2017, the Bank made the following announcement in relation to an offer made by the Group to purchase Aldermore Group PLC:

"On 6 November 2017, FirstRand Limited (together with its subsidiaries, the "**FirstRand Group**"), announced that the boards of FirstRand International Limited ("**FirstRand Offeror**") and Aldermore Group PLC ("**Aldermore**") had reached agreement on the terms of a recommended cash offer to be made by the FirstRand Offeror for the entire issued and to be issued ordinary share capital of Aldermore (the "**Offer**"). FirstRand Limited is the parent company of FirstRand Bank Limited (the "**Bank**"). The Offer values the entire issued and to be issued ordinary share capital of Aldermore at approximately £1.1 billion. The Offer is intended to be effected by means of a Court-sanctioned scheme of arrangement under part 26 of the Companies Act 2006 (the "**Scheme**"). The Offer remains subject to certain conditions which are set out in the Announcement, including that the Scheme becomes unconditional and effective on or before 30 April 2018 or such later date as FirstRand Offeror and Aldermore may agree (subject to court approval, if required).

Aldermore is a UK-based bank providing asset finance, invoice finance, mortgage and deposit products to Small and Medium-sized Enterprises, homeowners, landlords and savers. Founded in 2009, Aldermore is listed on the Main Market of the London Stock Exchange, is a constituent of the FTSE 250 leading share index and had total assets of £9.6 billion (at 30 September 2017).

FirstRand Offeror is a wholly-owned subsidiary of FirstRand Limited. The impact of the transaction on the FirstRand Group was disclosed to shareholders in FirstRand Limited's announcement of 6 November 2017.

This announcement by the Bank provides holders of the Bank's debt securities with specific information relating to the impact of this transaction on the Bank should the Scheme become effective.

MotoNovo Finance ("**MotoNovo**") is currently a business segment of the Bank's London Branch and contributed R727 million (4 per cent.) of the Bank's total normalised earnings of R18 089 million for the year ended 30 June 2017.

If the Scheme becomes effective, the FirstRand Group's current UK retail and business/SME operations, which include MotoNovo, will be integrated into Aldermore to form a separate pillar. MotoNovo has historically been funded through a combination of securitisations, warehouse facilities and the Bank's balance sheet. Once integrated into Aldermore, MotoNovo will be supported by Aldermore's funding platform which is only utilised for UK lending books. All new business by MotoNovo will be funded through further scaling Aldermore's deposit and funding platform. MotoNovo's current loans will continue to be funded through existing funding mechanisms, but will be run down over time. As a result, MotoNovo will ultimately cease to form part of the Bank's operating activities as Aldermore will not be a subsidiary of the Bank.

The Bank believes that the transaction would have the additional benefit of freeing up funding and liquidity capacity on the Bank's balance sheet, currently utilised for MotoNovo, which can now be deployed into the FirstRand Group's South African and rest of Africa growth strategies.

The consideration payable under the Offer will be funded from the FirstRand Group's existing cash resources. To finance the acquisition, the FirstRand Offeror has entered into an intra-group loan agreement with the Bank pursuant to which the Bank has agreed to provide FirstRand Offeror with a loan facility of an aggregate principal amount of up to GBP1.3 billion (or such higher amount as they may agree).

Any goodwill arising from the transaction will effectively result in an impairment against the FirstRand Group's capital for purposes of determining capital adequacy. The FirstRand Group will back the goodwill arising from this transaction with CET1 capital, a portion of which will be provided from the Bank's excess regulatory CET1 capital.

The Bank considered a range of variables in assessing the likely impact of this transaction on its CET1 ratio, these include:

- a range for the final goodwill amount, as this is yet to be finalised; and
- the anticipated capital generation of the Bank and other Group entities before the transaction is concluded, which would impact the portion of the goodwill that would have to be backed by CET1 capital provided by the Bank.

Given the above, if the Scheme becomes effective, the impact on FirstRand Bank's CET1 ratio is currently estimated to be a reduction of between approximately 90 and 130 basis points."

On 14 March 2018, the FirstRand Group announced that the acquisition of Aldermore had been completed, and that the Scheme had become effective and that the entire issued ordinary share capital of Aldermore was owned by FirstRand Offeror.

SELECTED FINANCIAL INFORMATION

FirstRand Group financial highlights

The following table sets out selected ratios and financial information in relation to FirstRand Limited as at and for the years ended 30 June 2017 and 30 June 2016.

Financial highlights

<i>R million</i>	As at 30 June	
	2017	2016
Normalised total assets	1,217,745	1,149,326
Normalised net asset value	108,922	99,794
Normalised earnings	24,471	22,855
ROE	23.4%	24.0%
Capital adequacy – CET1 ratio	14.3%	13.9%

Source: FirstRand Limited Analysis of Financial Results for the year ended 30 June 2017.

The following table sets out normalised earnings, and reconciliations in respect thereof, in relation to FirstRand Limited as at and for the years ended 30 June 2017, 30 June 2016, 30 June 2015, 30 June 2014 and 30 June 2013.

	2017	2016	2015	2014	2013
IFRS earnings	24,572	22,563	21,623	18,440	14,785
Adjustments:					
Headline adjustments	(810)	(176)	(482)	231	542
Headline earnings	23,762	22,387	21,141	18,671	15,327
Normalised adjustments	709	468	145	(8)	93
- TRS and IFRS 2 liability remeasurement	(63)	494	(34)	(198)	85
- IFRS 2 share based payment expense	-	-	75	182	43
- Treasury Shares	(12)	(6)	25	97	33
- IAS 19 adjustment	(117)	(102)	(107)	(104)	(110)
- Private equity-related	901	82	186	15	42
Normalised earnings	24,471	22,855	21,286	18,663	15,420

Source: FirstRand Limited Analysis of Financial Results for the years ended 30 June 2017, 30 June 2016, 30 June 2015 and 30 June 2014.

The following tables provide reconciliation of normalised balances to IFRS balances as at 30 June.

Balance sheet reconciliation

<i>R million</i>	As at 30 June 2017		As at 30 June 2016	
	Assets	Net asset value	Assets	Net asset value
Normalised	1,217,745	108,922	1,149,326	99,794

<i>R million</i>	As at 30 June 2017		As at 30 June 2016	
	Assets	Net asset value	Assets	Net asset value
Adjustments: Treasury shares.....	(38)	(38)	(49)	(49)
IFRS (audited)	1,217,707	108,884	1,149,277	99,745

Source: FirstRand Limited Analysis of Financial Results for the year ended 30 June 2017.

FirstRand Bank Financial highlights

The following tables sets out normalised financial information in relation to the Bank as at and for the years ended 30 June 2017 and 30 June 2016, and as at and for the six month period ended 31 December 2017 and 31 December 2016.

	As at and for the year ended 30 June		As at and for the six month period ended 31 December	
	2017	2016	2017	2016
Normalised profits before taxation (R million)	23,774	23,184	12,322	12,269
Normalised earnings (R million)	18,089	17,351	9,168	9,081
Return on equity (%)	22.2	23.0	21.1	22.6
Return on assets (%)	1.71	1.75	1.64	1.75
Credit loss ratio (%).....	0.88	0.84	0.84	0.79
Tier 1 ratio (%)	14.3	14.2	14.1	14.5
Common Equity Tier 1 ratio (%).....	14.1	13.9	13.9	14.1
Net interest margin (%)	5.11	5.17	5.07	5.22
Average gross loan-to-deposit ratio (%).....	93.5	93.2	92.3	93.2
Gross advances (R billion).....	814	779	855	782

Source: FirstRand Bank Limited Annual Report for the years ended 30 June 2016 and 30 June 2017. FirstRand Bank Analysis of Financial Results for the six month period ended 31 December 2017. This information is unaudited and unreviewed, and presented on a normalised basis.

The following table sets out normalised earnings, and reconciliations in respect thereof, in relation to the Bank as at and for the years ended 30 June 2017 and 30 June 2016 and as at and for the six month period ended 31 December 2017 and 31 December 2016.

	As at and for the year ended 30 June		As at and for the six month period ended 31 December	
	2017	2016	2017	2016
IFRS earnings	18,300	16,931	9,437	9,339
Adjustments:				
Headline earnings adjustments	(31)	28	(76)	(38)
Normalised adjustments	(180)	392	(193)	(220)
- TRS and IFRS 2 liability remeasurement	(63)	494	(137)	(166)
- IAS 19 adjustment	(117)	(102)	(56)	(54)
Normalised earnings	18,089	17,351	9,168	9,081

Source: FirstRand Bank Limited Annual Report for the years ended 30 June 2016 and 30 June 2017. FirstRand Bank Analysis of Financial Results for the six month period ended 31 December 2017. This information is unaudited and unreviewed, and presented on a normalised basis.

The Bank's income statement and statement of financial position highlights

The relative contributions from the Bank's major operating franchises are set out in the tables below.

The Bank's income statement and statement of financial position highlights for the year ended 30 June 2017

<i>R million</i>	Total FNB*	RMB†	WesBank	FCC (including Group Treasury and other)	FRB - normalised	Normalised adjustments	FRB - IFRS
Net interest income before							
impairment of advances	24,039	5,469	9,205	1,136	39,849	(1,200)	38,649
Impairment charge.....	(3,663)	(619)	(3,052)	350	(6,984)	-	(6,984)
Net interest income after							
impairment of advances	20,376	4,850	6,153	1,486	32,865	(1,200)	31,665
Non-interest revenue	19,905	8,010	2,781	(1,190)	29,506	1,443	30,949
Income from operations	40,281	12,860	8,934	296	62,371	243	62,614
Operating expenses	(23,932)	(6,989)	(5,488)	(1,312)	(37,721)	52	(37,669)
Income before tax	16,349	5,871	3,446	(1,016)	24,650	295	24,945
Indirect tax	(494)	(114)	(232)	(36)	(876)	-	(876)
Profit before tax	15,855	5,757	3,214	(1,052)	23,774	295	24,069
Income tax expense	(4,440)	(1,617)	(901)	1,510	(5,448)	(84)	(5,532)
Profit for the year	11,415	4,140	2,313	458	18,326	211	18,537
Statement of financial position includes:							
Total assets	347,611	391,094	170,523	172,923	1,082,151	-	1,082,151
Total liabilities	331,885	386,200	167,327	109,366	994,778	-	994,778

* Comprises FNB and FNB Africa (FNB Africa results reported herein relate to the Bank's head office costs. Earnings of the African subsidiaries form part of FREMA and are not reported within the Bank).

† Comprises investment banking and corporate banking.

The Bank's income statement and statement of financial position highlights for the year ended 30 June 2016

<i>R million</i>	Total FNB*	RMB†	WesBank	FCC (including Group Treasury) and other	FRB - normalised	Normalised adjustments	FRB - IFRS
Net interest income before impairment of advances...	22,209	5,576	9,047	1,501	38,333	(1,556)	36,777
Impairment charge.....	(3,173)	(676)	(2,701)	295	(6,255)	-	(6,255)
Net interest income after impairment of advances...	19,036	4,900	6,346	1,796	32,078	(1,556)	30,522
Non-interest revenue	18,750	6,930	2,497	(916)	27,261	625	27,886
Income from operations...	37,786	11,830	8,843	880	59,339	(931)	58,408
Operating expenses	(22,579)	(6,612)	(5,068)	(1,133)	(35,392)	357	(35,035)
Income before tax.....	15,207	5,218	3,775	(253)	23,947	(574)	23,373
Indirect tax	(403)	(90)	(230)	(40)	(763)	-	(763)
Profit before tax.....	14,804	5,128	3,545	(293)	23,184	(574)	22,610
Income tax expense	(4,146)	(1,436)	(985)	953	(5,614)	154	(5,460)
Profit for the year.....	10,658	3,692	2,560	660	17,570	(420)	17,150
Statement of financial position includes:							
Total assets.....	334,004	375,527	168,366	153,682	1,031,579	-	1,031,579
Total liabilities	319,305	371,143	164,912	94,300	949,660	-	949,660

* Comprises FNB and FNB Africa (FNB Africa results reported herein relate to the Bank's head office costs. Earnings of the African subsidiaries form part of FREMA and are not reported within the Bank).

† Comprises investment banking and corporate banking.

The Bank's income statement and statement of financial position highlights for the six month period ended 31 December 2017

<i>R million</i>	Total FNB*	RMB†	WesBank	FCC (including Group Treasury) and other	FRB - normalised	Normalised adjustments	FRB - IFRS
Net interest income before							
impairment of advances	12,675	2,796	4,758	439	20,668	(504)	20,164
Impairment charge.....	(1,808)	(53)	(1,775)	112	(3,524)	-	(3,524)
Net interest income after							
impairment of advances	10,867	2,743	2,983	551	17,144	(504)	16,640
Non-interest revenue.....	10,935	3,859	1,391	(386)	15,799	1,256	17,055
Income from operations	21,802	6,602	4,374	165	32,943	752	33,695
Operating expenses.....	(12,879)	(3,387)	(3,035)	(845)	(20,146)	(396)	(20,542)
Income before tax	8,923	3,215	1,339	(680)	12,797	356	13,153
Indirect tax.....	(281)	(68)	(93)	(33)	(475)	-	(475)
Profit before tax	8,642	3,147	1,246	(713)	12,322	356	12,678
Income tax expense.....	(2,436)	(882)	(348)	630	(3,036)	(87)	(3,123)
Profit for the period	6,206	2,265	898	(83)	9,286	269	9,555
Statement of financial position includes:							
Total assets.....	359,300	405,905	178,703	216,457	1,160,365	-	1,160,365
Total liabilities.....	350,613	402,512	177,494	137,279	1,067,898	-	1,067,898

* Comprises FNB and FNB Africa (FNB Africa results reported herein relate to the Bank's head office costs. Earnings of the African subsidiaries form part of FREMA and are not reported within the Bank).

† Comprises investment banking and corporate banking.

Source: FirstRand Bank Limited Analysis of Financial Results for the six month period ended 31 December 2017. This information is unaudited and unreviewed, and presented on a normalised basis.

The Bank's income statement and statement of financial position highlights for the six month period ended 31 December 2016

<i>R million</i>	Total FNB*	RMB†	WesBank	FCC (including Group Treasury) and other	FRB - normalised	Normalised adjustments	FRB - IFRS
Net interest income before							
impairment of advances.....	11,781	2 702	4,678	803	19,964	(766)	19,198
Impairment charge.....	(1,765)	(136)	(1,436)	250	(3,087)	-	(3,087)
Net interest income after							
impairment of advances.....	10,016	2,566	3,242	1,053	16,877	(766)	16,111
Non-interest revenue.....	9,849	3,580	1,317	(477)	14,269	1,281	15,550
Income from operations.....	19,865	6,146	4,559	576	31,146	515	31,661
Operating expenses.....	(11,667)	(3,283)	(2,721)	(733)	(18,404)	(155)	(18,559)
Income before tax.....	8,198	2,863	1,838	(157)	12,742	360	13,102
Indirect tax.....	(270)	(56)	(128)	(19)	(473)	-	(473)
Profit before tax.....	7,928	2,807	1,710	(176)	12,269	360	12,629
Income tax expense.....	(2,220)	(791)	(479)	420	(3,070)	(102)	(3,172)
Profit for the period.....	5,708	2,016	1,231	244	9,199	258	9,457
Statement of financial position includes:							
Total assets.....	341,962	365,942	156,886	184,483	1,049,273	-	1,049,273
Total liabilities.....	334,086	363,323	155,206	111,929	964,544	-	964,544

* Comprises FNB and FNB Africa (FNB Africa results reported herein relate to the Bank's head office costs. Earnings of the African subsidiaries form part of FREMA and are not reported within the Bank).

† Comprises investment banking and corporate banking.

Source: FirstRand Bank Limited Analysis of Financial Results for the six month period ended 31 December 2017. This information is unaudited and unreviewed, and presented on a normalised basis.

LOAN PORTFOLIO

Introduction

As at 31 December 2017, the Bank's total gross advances (before impairments but after interest in suspense) amounted to R855 billion compared to R782 billion at 31 December 2016, representing 73.7 per cent. and 74.5 per cent., respectively, of the Bank's total assets as at such dates.

Retail advances comprised 47 per cent. of total advances, with 45 per cent. made to individuals at 31 December 2017 (44 per cent. at 31 December 2016).

Property finance constituted the largest category of advances. The Bank advanced R198.7 billion (23 per cent of total gross advances) as at 31 December 2017 (compared to R191.4 billion (24 per cent. of total gross advances) as at 31 December 2016).

Gross advances growth increased by 9 per cent. for the six month period ended 31 December 2017. Growth rates remained modest across most of the retail portfolios, which reflected the ongoing impact of the difficult macroeconomic environment leading to disciplined resource allocation and the strengthening of the Rand against the US dollar and British pound during these periods. On a constant-currency basis, the Bank achieved 10 per cent. advances growth as at 31 December 2017.

The economic environment, higher funding costs and disciplined pricing of financial resources continues to place pressure on the Bank's corporate portfolio, specifically in the investment grade segment in South Africa. Despite this, the Bank's corporate loan portfolio produced solid balance sheet growth.

Loan Portfolio Structure by Sector

The following table sets out the structure of the Bank's loan portfolio by economic sector, as at 31 December 2017 and 31 December 2016:

<i>Category analysis</i>	As at 31 December			
	2017		2016	
	<i>(R million)</i>	<i>%</i>	<i>(R million)</i>	<i>%</i>
Agriculture.....	30,094	4	29,365	3
Banks.....	19,493	2	5,297	1
Financial institutions.....	142,884	17	119,245	15
Building and property development.....	44,672	5	48,154	6
Government, Land Bank and public authorities....	22,504	3	22,220	3
Individuals.....	387,184	45	340,054	44
Manufacturing and commerce.....	99,669	12	90,001	12
Mining.....	10,031	1	16,100	2
Transport and communication.....	16,857	2	16,994	2
Other services.....	81,535	9	94,083	12
Gross value of advances.....	854,923	100	781,513	100
Impairment of advances.....	(15,057)		(14,500)	
Net advances.....	839,866		767,013	

Source: FirstRand Bank Limited Analysis of Financial Results for the six month period ended 31 December 2017. This information is unaudited and unreviewed, and presented on a normalised basis.

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 89 per cent. of gross advances as at 31 December 2017 (compared to 92 per cent. of gross advances as at 31 December 2016).

The following tables set out a geographical analysis (based on credit risk) of the Bank's notional loan portfolio as at 31 December 2017 and 31 December 2016.

<i>Category analysis</i>	As at 31 December 2017		As at 31 December 2016	
	<i>(R million)</i>	<i>%</i>	<i>(R million)</i>	<i>%</i>
South Africa.....	759,580	89	716,763	92
Other Africa.....	27,331	3	26,551	3
United Kingdom.....	55,324	6	26,189	3
Other.....	12,688	2	12,010	2
Gross value of advances.....	854,923	100	781,513	100
Impairment of advances.....	(15,057)		(14,500)	
Net advances.....	839,866		767,013	

Source: FirstRand Bank Limited Analysis of Financial Results for the six month period ended 31 December 2017. This information is unaudited and unreviewed, and presented on normalised basis.

Analysis of advances

The following table sets out the Bank's segmental analysis of advances for the six month period ended 31 December 2017 and 31 December 2016.

<i>R million/%</i>	As at 31 December			% composition	
	2017	2016	% change	2017	
Retail	402,115	369,441	9	47	
Residential mortgages.....	198,704	191,437	4	23	
Vehicle and asset finance.....	133,502	114,252	17	16	
Credit card.....	25,063	22,495	11	3	
Personal loans.....	29,745	26,899	11	3	
Retail other.....	15,101	14,358	5	2	
Corporate and commercial	408,609	387,469	5	48	
CIB core advances – South Africa	240,891	216,184	11	28	
Investment banking	183,685	169,244	9	21	
HQLA corporate advances	16,980	18,862	(10)	2	
Corporate banking	40,226	28,078	43	5	
CIB core advances – Rest of Africa	30,481	31,395	(3)	4	
WesBank corporate	29,767	28,485	5	4	
FNB Commercial	87,890	81,159	8	10	
RMB repurchase agreement [†]	19,580	30,246	(35)	2	
FNB Africa	50	558	(91)	-	
FCC (including Group Treasury)	44,149	24,045	84	5	
Total advances	854,923	781,513	9	100	
Of which:					
Accrual book.....	645,094	538,541	20	75	
Fair value book.....	209,829	242,972	(14)	25	

Source: FirstRand Bank Limited Analysis of Financial Results for the six month period ended 31 December 2017. This information is unaudited and unreviewed, and presented on normalised basis.

Analysis of NPLs

The following table sets out the Bank's NPLs for the six month period ended 31 December 2017 and 31 December 2016.

<i>R million/%</i>	As at 31 December					
	NPLs			NPLs as a % of advances		
	2017	2016	% change	2017	2016	
Retail	15,372	13,750	12	3.82	3.72	
Residential mortgages.....	4,535	4,462	2	2.28	2.33	
Vehicle and asset finance.....	6,167	5,291	17	4.62	4.63	
Credit card.....	993	814	22	3.96	3.62	
Personal loans*.....	2,881	2,464	17	9.69	9.16	
Retail other.....	796	719	11	5.27	5.01	
Corporate and commercial	3,143	4,552	(31)	0.77	1.17	
FNB commercial.....	2,235	2,235	-	2.54	2.75	
WesBank corporate.....	240	267	(10)	0.81	0.94	
RMB investment banking.....	633	1,979	(68)	0.28	0.90	
RMB corporate banking.....	35	71	(51)	0.07	0.18	

<i>R million/%</i>	As at 31 December				
	NPLs			NPLs as a % of advances	
	2017	2016	% change	2017	2016
FNB Africa	50	132	(62)	100.00	23.66
Total NPLs	18,565	18,434	1	2.17	2.36
Of which:					
Accrual book	18,239	16,876	8	2.83	3.13
Fair value book	326	1,558	(79)	0.16	0.64

* Comprises FNB loans, WesBank loans and MotoNovo.

Source: FirstRand Bank Limited Analysis of Financial Results for the six month period ended 31 December 2017. This information is unaudited and unreviewed, and presented on a normalised basis.

Analysis of income statement credit impairments

The following table sets out an analysis of the Bank's impairment charges for the six month period ended 31 December 2017 and 31 December 2016.

<i>R million/%</i>	As at 31 December				
	Total impairment charge			As a % of average advances [#]	
	2017	2016	% change	2017	2016
Retail	3,230	2,908	11	1.64	1.55
Residential mortgages	144	132	9	0.15	0.14
Vehicle and asset finance	1,208	908	33	1.87	1.50
Credit card	295	289	2	2.41	2.60
Personal loans*	948	1,070	(11)	6.52	8.04
Retail other	635	509	25	8.48	7.09
Corporate and commercial	405	423	(4)	0.20	0.22
FNB commercial	333	264	26	0.77	0.66
WesBank corporate	19	23	(17)	0.12	0.16
RMB investment banking	47	99	(53)	0.04	0.09
RMB corporate banking	6	37	(84)	0.03	0.20
FNB Africa**	1	6	(83)	1.24	1.82
FCC (including Group Treasury)**	(112)	(250)	(55)	(0.03)	(0.06)
Total impairment charge	3,524	3,087	14	0.84	0.79
Of which:					
Portfolio impairment charge	326	(31)	(>100)	0.08	(0.01)
Specific impairment charge	3,198	3,118	3	0.77	0.80

* Comprises FNB loans, WesBank loans and MotoNovo loans.

** Relates to head office costs and FNB's activities in India. Earnings of the subsidiaries in the rest of Africa form part of FREMA and are not reported in the Bank.

Percentages calculated on total average advances.

Source: FirstRand Bank Limited Analysis of Financial Results for the six month period ended 31 December 2017. This information is unaudited and unreviewed, and is presented on a normalised basis.

Further information relating to the Bank's NPLs, impairments and coverage ratios is set out in Notes 2, 3 and 4 of the Analysis of Financial Results, and of the H1 December 2017 Analysis of Financial Results, each incorporated into the Base Prospectus by reference.

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 2017 and 2016.

Category analysis	As at 30 June 2017		As at 30 June 2016	
	(R million)	%	(R million)	%
Guarantees	31,875	20	32,659	23
Letters of credit.....	6,358	4	6,485	5
Irrevocable commitments	112,698	72	95,630	68
Other*	6,416	4	6,400	4
Total contingencies	157,347	100	141,174	100
Legal proceedings.....	108		75	
Claims:				
Commitments in respect of capital expenditure and long-term investments approved by directors	3,560		3,702	

* Comprises committed capital expenditure, operating lease commitments and other.

Category analysis	As at 31 December 2017		As at 31 December 2016	
	(R million)	%	(R million)	%
Guarantees	33,178	21	37,585	24
Letters of credit.....	7,857	5	5,823	4
Irrevocable commitments	108,303	70	109,171	70
Other*	5,297	4	4,449	2
Total contingencies	154,635	100	157,028	100
Claims:				
Commitments in respect of capital expenditure and long-term investments approved by directors	2,417		1,736	

* Comprises committed capital expenditure, operating lease commitments and other.

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, information technology and stakeholder relations while still retaining full and effective control over the Bank. The Bank has a unitary Board. Its chairman is non-executive, but not independent in terms of the King IV definition. "**King IV**" is a report on corporate governance in South Africa, which came into effect in November 2016. 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 three years prior to appointment. The Board comprises eighteen directors of whom three serve in an executive capacity. This ensures that their views carry significant weight in the board's deliberations and decisions. Non-executive directors comprise individuals of high calibre with diverse backgrounds and expertise. The Bank complies with King IV. The Board meets quarterly. One further meetings is scheduled to review and approve strategic plans and the resulting 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.

There is a formal transparent Board nomination process. Non-executive directors are appointed, subject to re-election and to the applicable provisions of the South African Companies Act 71 of 2008 (as amended) (the "**South African Companies Act**") relating to removal, and retire by rotation, every three years. Re-appointment of non-executive directors is not automatic. The Board consists of eighteen members elected by the shareholders'.

On 27 February 2018, FirstRand announced the following changes to its management:

- Johan Petrus Burger will retire as CEO of FirstRand Limited and FirstRand Bank Limited on 31 March 2018. He will remain an executive director of FirstRand Limited and FirstRand Bank Limited until 31 August 2018 and, subject to regulatory approval, become a non-executive director of FirstRand Limited and FirstRand Bank Limited on 1 September 2018.
- Alan Patrick Pullinger, currently deputy CEO, has been appointed CEO of FirstRand Limited and FirstRand Bank Limited, effective 1 April 2018.
- Mary Vilakazi has been appointed as COO and executive director of FirstRand Limited and FirstRand Bank Limited, effective 1 July 2018.

The current members of the Board and their position in respect of the Board and its Committees are set out below as at the date of this Base Prospectus.

Name	Position and memberships
William Rodger (Roger) Jardine	Independent non-executive chairman of FirstRand Bank Limited
Johan Petrus Burger	Executive Director of FirstRand Bank Limited
Alan Patrick Pullinger	Chief Executive Officer, Director of FirstRand Bank Limited
Hetash Surendrakumar (Harry) Kellan	Financial Director of the FirstRand Bank Limited
Grant Glenn Gelink	Independent non-executive director of FirstRand Bank Limited
Patrick Maguire Goss	Independent non-executive director of FirstRand Bank Limited, and RMB Holdings Limited
Nolulamo Nobambiswano (Lulu) Gwagwa	Independent non-executive director of FirstRand Bank Limited
Russell Mark Loubser.....	Independent non-executive director of FirstRand Bank Limited
Ethel Gothatamodimo Matenge-Sebesho	Independent non-executive director of FirstRand Bank Limited
Amanda Tandiwe (Tandi) Nzimande	Independent non-executive director of FirstRand Bank Limited
Mary Sina Bomela.....	Non-executive director of FirstRand Bank Limited

Name	Position and memberships
Hermanus Lambertus (Herman) Bosman	Non-executive director of FirstRand Bank Limited
Jan Jonathan (Jannie) Durand	Non-executive director of FirstRand Bank Limited
Paul Kenneth Harris.....	Non-executive director of FirstRand Bank Limited
Francois (Faffa) Knoetze	Non-executive director of FirstRand Bank Limited
Paballo Joel Makosholo.....	Non-executive director of FirstRand Bank Limited
Thandie Sylvia Mashego	Non-executive director of FirstRand Bank Limited

The business address of the members of the Board is the Bank's registered office. The names, and certain other information about each of the current members of the Board and their activities, are set out below:

Lauritz Lanser (Laurie) Dippenaar, MCom, CA(SA)	Laurie graduated from Pretoria University, qualified as a chartered accountant with Aiken & Carter (now KPMG) and spent three years at the Industrial Development Corporation before becoming a co-founder of Rand Consolidated Investments in 1977. Rand Consolidated Investments acquired control of Rand Merchant Bank in 1985 and he became an executive director. He was appointed managing director of Rand Merchant Bank in 1988, which position he held until 1992 when RMB Holdings acquired a controlling interest in Momentum Life Assurers ("MLA"). He served as executive chairman of MLA from 1992 until the formation of FirstRand in 1998. He was appointed as the first Chief Executive Officer ("CEO") of FirstRand and held this position until the end of 2005 when he assumed a non-executive role. He was elected to the position of chairman of FirstRand in November 2008.
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Johan Petrus Burger, BCom (Hons), CA(SA)	Johan joined Rand Merchant Bank in 1986, where he performed a number of roles before being appointed financial director in 1995. Following the formation of FirstRand in 1998, he was appointed financial director of FirstRand Group and in 2002 was appointed Chief Financial Officer ("CFO") of FirstRand Group. In addition to his role as Group CFO, Johan was appointed as Group Chief Operating Officer ("COO") in 2009 and deputy CEO in October 2013. He was appointed as CEO in October 2015. Prior to joining FirstRand, Johan completed his articles with Coopers & Lybrand (now PwC) and qualified as a chartered accountant in 1984. Johan graduated from University of Johannesburg (formerly RAU) with a BCom (Hons) (Accounting) in 1983.
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Alan Patrick Pullinger, MCom, CA(SA), CFA	Alan graduated from the University of the Witwatersrand in 1991 and qualified as a chartered accountant after serving articles at Deloitte & Touche. He spent five years with Deloitte & Touche and was appointed to the partnership in 1996. He joined Rand Merchant Bank in 1998 (prior to the creation of FirstRand) and was appointed as CEO of Rand Merchant Bank in 2008 until his promotion to deputy CEO of FirstRand on 1 October 2015.
Hetash Surendrakumar (Harry) Kellan, BCom (Hons), CA(SA)	Harry started his career with the FirstRand Group in 2005 at FNB as Group financial manager. He was appointed CFO of FNB in 2007, a position he held until his appointment to FirstRand as financial director in January 2014. Prior to joining FirstRand, Harry completed his articles with Arthur Andersen and qualified as a chartered accountant in 1998 after graduating from the University of the Witwatersrand in 1994. After completing his articles, he specialised in financial services at Arthur Andersen from June 1998 to August 2000, including a year at the London office. He then joined HSBC South Africa in September 2000 where he held the position of associate director in corporate finance.
Grant Glenn Gelink, BCom (Hons), BCompt (Hons), CA(SA)	Grant has had extensive work experience within Deloitte South Africa, which includes the following positions spanning over 26 years – CEO (2006 to 2012), CEO: human capital corporation (2004 to 2006), managing partner: consulting and advisory services (2001 to 2006) and partner in charge, Pretoria office (1997 to 1999).
Patrick Maguire Goss, BEcon (Hons), BAccSc (Hons), CA(SA)	Pat, after graduating from the University of Stellenbosch, served as president of the Association of Economics and Commerce Students, representing South Africa at The Hague and Basel. He qualified as a chartered accountant with Ernst and Young and subsequently joined the Industrial Development Corporation. He then assumed responsibility of his family business in 1977. Most of his active career was spent in food retailing and the hospitality industry. He has served as a director of various group companies for the past 36 years. A former chairman of the Natal Parks Board, his family interests include Umngazi River Bungalows and certain other conservation-related activities.
Nolulamo Nobambiswano (Lulu) Gwagwa, BA, MTRP, MSc, PhD	After studying abroad, Lulu took up a position in 1992 as a senior lecturer at the University of Natal's Department of Town and Regional Planning. From 1995 to 1998 she became the deputy director general in the national Department of Public Works. During this period, she also

served as the presidential appointee on the Commission on Provincial Government and as deputy chair of the Ministerial Advisory Committee on Local Government Transformation. From 1998 until 2003 she was the CEO of the Independent Development Trust. She is currently the CEO of Lereko Investments, a black-owned investment company and the chairperson of Aurecon Africa.

William Rodger (Roger) Jardine, (BSc, MSc)

Roger was national coordinator of science and technology policy in the department of economic planning of the African National Congress from 1992 to 1995. In 1995, he became director general of the Department of Arts, Culture, Science and Technology. He was chairman of the board of the CSIR and the Nuclear Energy Corporation between 1999 and 2005. In 1999, Roger joined Kagiso Media Limited as CEO and in 2006 became the COO of Kagiso Trust Investments. Roger was the CEO of Aveng Limited between July 2008 and August 2013. In February 2014, he took up the position of chief executive of the Primedia Group. He was appointed to the boards of FirstRand Bank during 2004 and FirstRand Limited during 2010.

Russell Mark Loubser, BCom (Hons), MCom, CA(SA)

Russell was the CEO of the Johannesburg Stock Exchange (JSE) from January 1997 until December 2011. During his tenure, he conceptualised the demutualisation of the JSE, and it was converted into a public company in 2005 and listed in 2006. Prior to being appointed to the JSE, Russell was executive director of financial markets at Rand Merchant Bank Limited (RMB), which he joined in May 1985. He was part of the small team at RMB that started the stock index derivatives industry in SA in 1987. He was also a member of the King Committee on Corporate Governance for 15 years, a member of the Securities Regulation Panel of SA for 15 years and served on the board of directors of the World Federation of Exchanges for approximately 13 years. Russell has also served as a council member of the University of Pretoria since 2007.

Ethel Gothatamodimo Matenge-Sebesho, MBA, CAIB

Ethel is currently working for Home Finance Guarantors Africa Reinsurance ("**HFGA Re**"), whose main objective is to facilitate access to housing finance in the low to medium income market in Africa. Her main role is to drive the establishment of new markets for the company in a number of African countries. Prior to joining HFGA Re, Ethel was head of Housing Institutions at National Housing Finance Corporation, where she was part of a team that introduced social housing in South Africa. She has previously worked for Standard Chartered Bank in Botswana, at which time she obtained the Institute of Bankers' qualification and MBA from Brunel University of London. Ethel has served on various bodies, among them, Air Botswana (vice chairman), Oikocredit (an international development financial institution

based in the Netherlands), Botswana Investment and Trade Centre (vice chairman) and Momentum Investments.

Amanda Tandiwe (Tandi) Nzimande, CTA, CA(SA), HDip Co Law

Tandi, a chartered accountant, has had a varied career since qualifying at KPMG in 1996. She worked as a corporate finance advisor at Deutsche Bank for five years, following which she acquired and ran a small business in the postal and courier industry for four years. During that period she also consulted to WDB Investment Holdings, which she eventually joined as its chief financial officer, a position she vacated in May 2016. Her past board memberships include OUTsurance, Rennies Travel and Masana Fuel Solutions. Tandi has recently launched her own business focused on executive coaching. Tandi is a fellow of the Africa Leadership Initiative. She is also a member of the South African Institute of Chartered Accountants, African Women Chartered Accountants as well as the Association of Black Securities and Investment Professional.

Mary Sina Bomela, BCom (Hons), CA(SA), MBA

Mary was appointed to the position of CEO of the Mineworkers Investment Company Proprietary Limited ("MIC") in July 2010 and was appointed to the board in September 2011. Prior to joining the MIC, Mary was the CFO of Freight Dynamics and an executive in the corporate services division of the South African Institute of Chartered Accountants. She has held executive positions in the resources, media, utilities and financial services sector.

Hermanus Lambertus (Herman) Bosman, BCom, LLB, LLM, CFA

Herman was with RMB for 12 years and headed up its corporate finance practice between 2000 and 2006. After serving as chief executive of Deutsche Bank South Africa from 2006 to 2013, Herman joined RMB Holdings Limited and Rand Merchant Investment Holdings Limited as the chief executive officer on 2 April 2014.

Jan Jonathan (Jannie) Durand, BAccSc (Hons), MPhil, CA(SA)

Jannie studied at the University of Stellenbosch and after obtaining his BAcc degree in 1989 and BAcc (Hons) degree in 1990, he obtained his MPhil (Management Studies) degree from Oxford in 1992. He qualified as a chartered accountant in 1995. He joined the Rembrandt Group in 1996. He became financial director of VenFin Limited in 2000 and CEO in May 2006. Jannie was appointed as chief investment officer of Remgro Limited in November 2009 and CEO from 7 May 2012.

Paul Kenneth Harris, MCom

Paul graduated from the University of Stellenbosch and joined the Industrial Development Corporation in 1974. He was a co-founder of Rand Consolidated Investments in 1977, which merged with Rand Merchant Bank (RMB) in 1985, at which time 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 CEO. Subsequent to the formation of FirstRand, he was appointed CEO of FirstRand Bank Holdings in 1999, a position he held until December 2005 when he was appointed CEO of FirstRand. He retired at the end of 2009 and has remained on the boards as a non-executive director.

Francois (Faffa) Knoetze, BCom (Hons),
FASSA, FIA

Faffa graduated from the University of Stellenbosch in 1984 and became a fellow of the Actuarial Society of South Africa in 1992. After starting his actuarial career at Sanlam as a marketing actuary in the life business, he spent most of his working career at Alexander Forbes, where he was the valuator and consulting actuary to a number of pension and provident funds, and carried the overall responsibility for the full service offering of Alexander Forbes to its retirement fund clients in the Stellenbosch region. He joined Remgro on 2 December 2013 and focuses on the company's interests in the financial services (insurance and banking) and sports industries.

Paballo Joel Makosholo, MCom (IEDP),
CA(SA)

Paballo graduated from the University of Johannesburg (formerly RAU) and qualified as a chartered accountant after serving articles at KPMG. He spent three years with KPMG in audit and corporate finance, and thereafter one year with Rothschild Investment Bank as an executive. He joined Kagiso Trust in 2006 and was appointed chief financial and investment executive, a position he held for ten years. He is currently chief operations officer at Kagiso Capital.

Thandie Sylvia Mashego

Thandie is the CFO of WDB Investment Holdings, responsible for the overall financial and risk management of the Group. She is also involved in transaction execution and investment monitoring. Prior to joining WDB Investment Holdings, Thandie spent two years as group CFO of Vantage Capital Group, a private equity fund manager. She also spent 11 years at the Industrial Development Corporation ("IDC") in various roles, where she led a number of project and corporate finance transactions. In her last five years at the IDC, Thandie was responsible for the management of IDC's private equity and loan investment portfolio in several sectors. She qualified as a chartered accountant in 2003 after completing articles at KPMG and Transnet Group Limited.

Additionally, the Bank has a company secretary, C Low, who is suitably qualified and was appointed by the Board on 6 January 2014. She is, *inter alia*, responsible for the duties stipulated in section 88 of the Companies Act 71 of 2008, as amended.

Conflicts of Interest

All directors of the Bank serve as directors of one or more of the Bank's affiliates (including FirstRand 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*" below.

All of the directors of the Bank are also directors of the Bank's 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.

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 owe to the Bank and their private interests or other duties.

As described below in "*Risk Management*", the Board discharges its duties through several FirstRand committees and subcommittees. Although the Group and the Bank each has its own board of directors, there is a single set of governance committees for the Group and each of its major subsidiaries, including the Bank.

FirstRand committees responsible for the Bank include the following:

FirstRand Audit Committee

The current members of the Audit Committee are as follows:

<u>Name</u>	<u>Position</u>
Grant Glenn Gelink	Independent non-executive director (Chairman)
Russell Mark Loubser	Independent non-executive director
Ethel Gothatamodimo Matenge-Sebesho	Independent non-executive director
Paballo Joel Makosholo	Non-executive director

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.

FirstRand Risk Capital Management and Compliance Committee ("RCCC")

The current members of the RCCC are as follows:

<u>Name</u>	<u>Position</u>
Russell Mark Loubser	Independent non-executive director (chairman)
Grant Glenn Gelink	Independent non-executive director
Mary Sina Bomela	Non-executive director
Francois (Faffa) Knoetze	Non-executive director

The RCCC 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

RCCC has delegated responsibility for a number of specialist topics to various subcommittees as described further in "*Risk Management*" below. The committee meets quarterly.

FirstRand Large Exposures Committee

The current members of the Large Exposures Committee are:

Name	Position
Russell Mark Loubser	Independent non-executive director (chairman)
William Rodger (Roger) Jardine	Independent non-executive director
Johan Petrus Burger	CEO
Alan Patrick Pullinger	Deputy CEO
Hetash Surendrakumar (Harry) Kellan	Financial director

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

FirstRand Director's Affairs and Governance Committee

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

Name	Position
William Rodger Jardine	Independent non-executive (chairman)
Mary Sina Bomela	Non-executive director
Hermanus Lambertus (Herman) Bosman	Non-executive director
Lauritz Lanser (Laurie) Dippenaar	Non-executive chairman
Jan Jonathan (Jannie) Durand	Non-executive director
Grant Glenn Gelink	Independent non-executive director
Patrick Maguire Goss	Independent non-executive director
Nolulamo Nobambiswano (Lulu) Gwagwa	Independent non-executive director
Paul Kenneth Harris	Non-executive director
Francois (Faffa) Knoetze	Non-executive director
Russell Mark Loubser	Independent non-executive director
Paballo Joel Makosholo	Non-executive director
Ethel Gothatamodimo Matenge-Sebesho	Independent non-executive director
Thandie Sylvia Mashego	Non-executive director
Amanda Tandiwe (Tandi) Nzimande	Independent non-executive director

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.

Social, ethics and transformation Committee

The current members of the Social, ethics and transformation Committee are:

Name	Position
Nolulamo Nobambiswano Gwagwa	Independent non-executive (chairman)
Amanda Tandiwe Nzimande	Independent non-executive director
Paballo Joel Makosholo	Non-executive director
Francois Knoetze	Non-executive chairman
Johan Petrus Burger	CEO
Alan Patrick Pullinger	Deputy CEO
Hetash Surendrakumar Kellan	Financial director

The role of the committee is to assist the board with ensuring responsible business practices within FirstRand Group and monitor group activities having regard for the Companies Act, the committee terms of reference and other legal requirements prevailing codes of best practice in respect of social, transformation and economic development.

RELATED PARTY TRANSACTIONS

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;
- (b) subsidiaries and fellow subsidiaries;
- (c) associate companies;
- (d) joint ventures;
- (e) associates and joint ventures of the parent company and fellow subsidiaries;
- (f) groups that have significant influence over the parent. If an investor has significant influence over the parent, it is a related party not only of the parent but also of the subsidiaries, including the Bank. If an investor that has significant influence over the parent has subsidiaries, those subsidiaries are also related to the Bank;
- (g) post-retirement benefit funds (pension funds);
- (h) key management personnel, being the FirstRand Limited board of directors, the Bank's Board of directors and the Bank's Executive Committee;
- (i) close family members of key management personnel (individual's spouse/domestic partner and children; domestic partner's children and dependants of individual or domestic partner); and
- (j) entities controlled, jointly controlled or significantly influenced by an individual referred to in (h) and (i).

As at 30 June 2017, total advances extended to related parties totalled R29,779 million (representing 2.8 per cent. of total assets) and amount due by the holding company and fellow subsidiaries totalled R28,869 million (representing 2.7 per cent. of total assets).

Transactions with related parties entered into by the Bank for the years ended 30 June 2017 and for the six month period ended 31 December 2017 were made in the ordinary course of business and on arm's length terms.

During the financial year, no contracts were entered into in which directors or officers of the company had an interest and which significantly affected the business of the Bank. The directors had no interest in any third party or company responsible for managing any of the business activities of the Bank except to the extent that they are shareholders in RMB Holdings Limited, which together with Remgro Limited, has significant influence over FirstRand.

For additional information on related parties refer to note 28 on page C144 of the 2017 Annual Financial Statements.

EMPLOYEES

As at 30 June 2017 the Bank had 35,979 employees, compared to 36,310 employees as at 30 June 2016. As at 31 December 2017, the Bank had 36,319 employees, compared to 36,325 employees as at 31 December 2016. To date, the Bank has not experienced industrial action or other work stoppages resulting from labour disputes.

COMPETITION

As at 31 December 2017, there were 19 registered banks, 15 local branches of foreign banks, 3 registered mutual banks, 3 co-operative banks and 31 representative offices of foreign banks (Source: SARB website) in South Africa. As at 31 December 2017, the South African banking sector has total assets of R5.2 trillion (compared to R4.95 trillion as at 30 June 2017) according to statistics published by the SARB (Source: BA900, June 2017; December 2017).

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:

	31 December 2017		30 June 2017	
	Total Assets	Capital and Reserves	Total Assets	Capital and Reserves
	(unaudited and unreviewed)			
	<i>(R billion)</i>		<i>(R billion)</i>	
Absa Bank Limited	983.3	82.1	943.0	80.9
FirstRand Bank Limited	1,120.7	90.4	1 050.5	85.3
Nedbank Limited	889.4	72.5	862.2	68.7
The Standard Bank of South Africa Limited	1,254.8	101.8	1 207.2	97.5

Source: SARB BA900, December 2017 and June 2017.

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

CAPITAL ADEQUACY

The Bank is subject to regulatory capital requirements as prescribed in the South African Banks Act and Regulations relating to Banks.

The Bank's capital planning process ensures that its total capital adequacy and Common Equity Tier 1 ("CET1") ratios remain within or above targets across economic and business cycles. Capital is managed on a forward-looking basis and the Bank remains appropriately capitalised under a range of normal and severe stress scenarios, which include ongoing regulatory, accounting and tax developments. The Bank's targets have been aligned to the SARB end-state minimum capital requirements and are subject to ongoing review and consideration of various stakeholder expectations.

The Board-approved capital plan is reviewed as part of the Group's Internal Capital Adequacy Assessment Process ("ICAAP"), with the stress testing framework being an extension to the process. These processes are under continuous review and refinement and continue to inform the targeted buffer above the minimum capital requirement.

Regular reviews of economic capital are carried out and the Bank remains well capitalised in the current environment, with levels of total capital exceeding the level of economic capital required. The Bank aims to back all economic risk with loss absorbing capital, which offers the greatest capacity to absorb losses.

For the year ended 30 June 2017, the Bank (including foreign branches), operated above its targeted capitalisation range with a total capital adequacy of 17.3 per cent. (17.3 per cent. as at 31 December 2017) and a CET1 ratio of 14.1 per cent (13.9 per cent. as at 31 December 2017).

Basel III

Basel III was successfully implemented in South Africa on 1 January 2013. The Bank is currently subject to the SARB transitional minimum capital requirements which include a 50 per cent. phased-in requirement for both the capital conservation and domestic systemically important buffer add-ons. The countercyclical buffer ("CCyB") requirement was also implemented on 1 January 2016, however, the SARB has not implemented any countercyclical buffer requirement for South African exposures. The CCyB requirement on exposures in other jurisdictions where the requirements apply is not material for the Bank.

Additional Tier 1 ("AT1") and Tier 2 instruments not compliant with Basel III are grandfathered over a ten-year period from 2013, i.e. subject to the 50 per cent. phase out in 2017. Since the implementation of Basel III, the Bank has issued R16.3 billion Tier 2 instruments that are compliant with Basel III. The Bank remains focused on optimising its capital mix and maintaining efficient capital levels.

The Bank continues to participate in the SARB's bi-annual quantitative impact studies to assess and incorporate the impact of Basel III on capital adequacy and leverage ratios.

The targeted capital levels as well as the current ratios as at 30 June 2017 and 31 December 2017 for the Bank (including foreign branches) are summarised in the table below:

	December 2017	June 2017	Target	Regulatory minimum*
Capital adequacy ratio (%)	17.3	17.3	>14.0	14.0
Tier 1 ratio (%)	14.1	14.3	>12.0	10.75
CET1 ratio (%)	13.9	14.1	10.0-11.0	8.5

* The regulatory minimum reflects the end-state minimum capital requirement for 2019, excluding the bank-specific individual capital requirement. A maximum D-SIB requirement is assumed.

Source: The Bank's Annual Report for the year ended 30 June 2017 and December 2017 Analysis of Financial Results for the six month period end 31 December 2017. This information is unaudited and unreviewed.

The following table shows the composition of regulatory capital for the Bank as at 31 December 2017, 30 June 2017 and 30 June 2016, while the subsequent tables provide a breakdown of risk weighted assets.

FRB*						
	31 December 2017		30 June 2017		30 June 2016	
	<i>R million</i>	%	<i>R million</i>	%	<i>R million</i>	%
Total CET1 capital.....	87,573	13.9	83,274	14.1	77,906	13.9
Total Tier 1 capital	89,073	14.1	84,774	14.3	79,706	14.2
Total qualifying capital and reserves	108,973	17.3	102,527	17.3	95,933	17.1

* Includes foreign branches and unappropriated profits.

Source: The 2017 FirstRand Bank Annual Report and December 2017 Analysis of Financial Results for the six month period ended 31 December 2017. This information is unaudited and unreviewed.

Risk weighted assets ("RWA") for each risk type

	As at 31 December		As at 30 June	
	2017	2017	2017	2016
Credit	458,150	429,076	429,076	406,950
Counterparty credit risk	24,227	15,095	15,095	20,155
Operational risk	96,033	93,084	93,084	85,710
Market risk.....	17,651	18,643	18,643	16,639
Equity investment risk	6,791	7,866	7,866	8,120
Other risk.....	23,245	22,623	22,623	20,150
Threshold items	3,778	4,787	4,787	3,851
Total RWA	629,875	591,174	591,174	561,575

Source: The 2017 FirstRand Bank Annual Report and December 2017 Analysis of Financial Results for the six month period ended 31 December 2017. This information is unaudited and unreviewed.

The SARB adopted the Basel III leverage framework which is a supplementary measure to the risk-based capital ratios. The Bank's leverage ratio was 7.4 per cent. as at 30 June 2017 (7.2 per cent. as at 30 June 2016) and 7.3 per cent. as at 31 December 2017 (7.4 per cent. as at 31 December 2016) and exceeded the minimum requirement of 4 per cent. (BIS minimum of 3 per cent.).

LEGAL PROCEEDINGS

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

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.

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

PROPERTY

As at 30 June 2017, the Bank held the freehold title to land and buildings with a net book value of R6,892 million and leasehold title to properties with a net book value of R1,846 million compared to R5,668 million and R1,877 million respectively as at 30 June 2016.

INSURANCE

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

All major insurance covers are placed at Group level to maximise economies of scale and to ensure all entities are included. However, where appropriate, non-South African Group companies place their local requirements in their countries of operation.

IT/TECHNOLOGY

Information technology is an integral part of the Bank's operations and a key enabler to offer innovative products and services to customers. The Bank continues to make significant investment in IT and related resources, with an aim to enhance the customer experience as part of digital strategies and product offerings. The Bank continues to see a positive migration from traditional bricks and mortar channels to digital channels, enhancing the customer experience and improving cost efficiency. The Bank also continually seeks to improve the operating features and security of its IT systems, in particular for new technologies to support and enhance its business strategies in the digital age. Significant effort and investment is undertaken for cyber security and data strategies, these two themes are and will remain strategically important for the foreseeable future.

Information risk management 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 services. Key areas of focus include:

- Protection of information systems against unauthorised access, destruction, modification and use.
- Ensuring confidentiality, availability and integrity of systems that maintain, process and disseminate this information.
- Continuously assessing systems for vulnerabilities and reporting to relevant risk and business stakeholders.
- Alignment of IT and related frameworks with changing business models and technology landscape.
- Conducting regular IT risk assessments to ensure improvement of identified gaps.

FUNDING AND LIQUIDITY

See the "*Risk Factors – Liquidity Risk – Structural characteristics impacting the funding profile of South African banks*" section above for a discussion of certain structural characteristics of the South Africa banking sector which are relevant to the Bank's funding sources and strategy. In this section, "institutional funding" refers to wholesale funding from financial institutions across a range of deposits, loans and financial instruments.

Given the liquidity risk introduced by its business activities across various currencies, the Bank's objective is to optimise its funding profile within structural and regulatory constraints to enable its franchises to operate in an efficient and sustainable manner. Liquidity buffers are actively managed via high quality liquid assets ("**HQLA**"), as prescribed in SARB regulations, associated directives and guidance notes, and which are available as protection against unexpected events or market disruptions. The quantum and composition of the available sources of liquidity are defined by the behavioural funding liquidity at risk and the market liquidity depth of these resources. In addition, adaptive overlays to liquidity requirements are derived from stress testing and scenario analysis of the cash inflows and outflows related to business activity.

Basel III Liquidity Ratios

The BCBS framework for sound liquidity risk management seeks to address two aspects

- Liquidity coverage ratio ("**LCR**") – addresses short-term liquidity risk; and
- Net stable funding ratio ("**NSFR**") – addresses the structural liquidity risk of the balance sheet.

Compliance with the Basel III LCR influences the Bank's funding strategy, in particular as it seek to restore the correct risk-adjusted pricing of liquidity. The Bank is actively building its deposit franchise through innovative and competitive pricing, whilst also improving the risk profile of its institutional funding.

The LCR has been fully adopted by the SARB with the inclusion of a committed liquidity facility ("**CLF**"). Phasing in of the LCR commenced in 2015 and banks are required to be fully compliant by 2019. The minimum LCR requirement is currently 80 per cent., with 10 per cent. incremental step-ups each calendar year to 100 per cent. on 1 January 2019. The Group remains focused on building a diversified pool of available HQLA, which is constrained by the limited availability of these assets in the South African market.

As at 30 June 2017, the Bank (excluding its foreign branches, in accordance with the SARB's disclosure requirements) exceeded the 80 per cent. minimum LCR requirement with an LCR of 105 per cent. As at 31 December 2017, the Bank had an LCR of 101 per cent.

The NSFR is a structural balance sheet ratio focusing on promoting a more resilient banking sector. The ratio calculates the amount of available stable funding relative to the amount of required stable funding. The industry continues to await communication from the SARB in terms of prudential requirements in relation to NSFR at a consolidated Group level. In line with Directive 4/2016, banks have been submitting a monthly NSFR monitoring template since August 2016 to enable the SARB to assess the readiness of banks to comply with the 100 per cent. NSFR requirement from 1 January 2018 per the Bank of International Settlements ("**BIS**") timelines. Banks have been engaging on a bilateral basis on interpretive matters relating to this form.

The SARB has applied its discretion on the treatment of deposits with maturities of up to six months placed by financial institutions. The NSFR framework assigns a 0 per cent. available stable funding ("**ASF**") factor to these funds, whereas the SARB has elected to apply a 35 per cent. factor. Additionally, industry is awaiting clarity on treatment of assets eligible for the committed liquidity facility. It is expected that the SARB will follow the route of the Australian regulator by differentiating these assets for required stable funding ("**RSF**") purposes. Both changes are anticipated to significantly assist the South African banking sector in meeting NSFR requirements.

Composition of the Bank's HQLA (unaudited)

R billion	Marketable assets	HQLA Basel III view after haircut*			
	Total June 2017*	Level 1	Level 2	Total June 2017	Total June 2016
Cash and deposits with central banks ...	31	29	-	29	26
Government bonds and bills	93	93	-	93	78
Other liquid assets	59	-	33	33	37
Total	183	122	33	155	141

Source: The 2017 FirstRand Bank Annual Report. This information is unaudited and unreviewed.

Composition of the Bank's HQLA (unaudited)

R billion	Marketable assets	HQLA Basel III view after haircut*			
	Total December 2017*	Level 1	Level 2	Total December 2017	Total December 2016
Cash and deposits with central banks ...	30	29	-	29	29
Government bonds and bills	101	101	-	101	97
Other liquid assets	46	-	35	35	32
Total	177	130	35	165	158

Source: The December 2017 Analysis of Financial Results for the six month period ended 31 December 2017. This information is unaudited and unreviewed.

Funding strategy

The Bank's objective is to fund its activities in a sustainable, diversified, efficient and flexible manner, underpinned by strong counterparty relationships within prudential limits and requirements. The objective is to maintain natural market share of transactional accounts and balances, but also to outperform at the margin, which will provide the Bank with a natural liquidity buffer. The four building blocks of the Bank's funding strategy are discussed in more detail below.

Diversification

The Bank views funding diversification from a number of different perspectives:

- Customer segments – the Bank has a strong and stable deposit franchise, which spans the retail, commercial and corporate segments. Institutional funding represented approximately 37 per cent. of the Bank's total funding as a percentage of funding liabilities (compared to 36 per cent. as at 30 June 2017) and this reliance represents a risk concentration that is actively managed through the holding of appropriate liquidity buffers and continued focus on increasing the term profile.
- Country and currency of issue – the Bank has access to a variety of funding and capital markets offshore and locally, including South Africa, Europe, Asia, Australia, Middle East and Africa.
- Instrument types and maturity profile – the Bank funds itself with a variety of different funding instruments, including negotiable certificates of deposit ("NCDs"), fixed, inflation linked and floating

rate notes, syndicated loans, development finance facilities, vanilla and structured capital market issuances, securitisation structures and various retail and corporate products.

The Bank seeks to broaden and diversify its debt investor base as far as possible, while actively pursuing an investor relations strategy.

An analysis of the Bank's funding base is provided in the following tables.

The table below provides an historic analysis of the Bank's funding sources and reflects the stability of, and its reliance on, institutional funding as at the dates indicated.

Funding analysis by source (unaudited)

	30 June 2014	31 Dec 2014	30 June 2015	31 Dec 2015	30 June 2016	31 Dec 2016	30 June 2017	31 Dec 2017
Institutional	37%	33%	36%	34%	37%	34%	36%	37%
Corporate	23%	24%	22%	22%	20%	22%	21%	22%
Retail	17%	18%	18%	19%	19%	20%	20%	20%
SME	5%	5%	5%	5%	6%	6%	5%	5%
Public	10%	11%	10%	10%	10%	11%	11%	9%
Foreign	6%	6%	7%	8%	7%	6%	6%	7%
Other	2%	3%	2%	2%	1%	1%	1%	0%
TOTAL	R705bn	R731bn	R760bn	R795bn	R826bn	R857bn	R885bn	R939bn

Source: SARB BA900 returns as at 30 June 2017, the 2017 FirstRand Bank Annual Report and Analysis of financial results for the six month period ended 31 December 2017. This information is unaudited and unreviewed.

The table below sets out the maturity profile as at 31 December 2017 of all outstanding capital markets instruments issued by the Bank. The Bank does not have concentration risk in any one year.

FirstRand Bank capital markets instruments (unaudited)

	Senior debt (R million)	Inflation - linked senior debt (R million)	Subordinated debt (R million)	EMTN issuance (R million)	Credit- linked notes (R million)	Total (R million)
Maturity						
2018	2,714	2,360	3,214	-	1,058	9,346
2019	4,594	-	1,750	2,067	1,239	9,650
2020	1,865	-	3,912	7,852	935	14,564
2021	657	-	4,068	479	251	5,455
2022	3,663	1,570	4,639	-	731	10,603
2023	3,176	5,733	-	-	157	9,066
2024	4,864	-	-	-	30	4,894
2025	3,153	1,800	-	-	12	4,965
2026	5,041	-	-	-	-	5,041
2027	3,094	-	-	-	31	3,125
2028	-	3,949	-	-	-	3,949
2029	-	193	-	-	-	193
2030	1,962	-	-	-	-	1,962
2031	5,110	-	-	-	-	5,110
2032	751	-	-	-	-	751
2033	-	4,909	-	-	-	4,909
2038	-	1,224	-	-	-	1,224
2042	-	147	-	-	-	147

	Senior debt	Inflation - linked senior debt	Subordinated debt	EMTN issuance	Credit- linked notes	Total
	<i>(R million)</i>	<i>(R million)</i>	<i>(R million)</i>	<i>(R million)</i>	<i>(R million)</i>	<i>(R million)</i>
Maturity						
2045	313	-	-	-	-	313
2046	-	521	-	-	-	521
2050	-	151	-	-	-	151

Efficiency

The Bank's aim is to fund the balance sheet in the most efficient manner, taking into account the liquidity risk management framework, as well as regulatory and rating agency requirements.

To ensure maximum efficiency and flexibility in accessing funding opportunities, a range of debt programmes have been established. The Bank's strategy for domestic public capital market issues is to create actively-traded benchmarks, which facilitate secondary market liquidity in both domestic and offshore markets. The value of this strategy is that it assists the Bank to identify cost-effective funding opportunities and ensures an understanding of market liquidity dynamics.

Flexibility

The Bank has a track record of differentiating itself through new and innovative funding mechanisms. It constantly reviews new proposals relating to funding strategies based on forecast balance sheet structures, in order to anticipate and plan for future funding and structural liquidity requirements.

Strong counterparty relationships

The Bank places great value on its established strong relationships with investors and is committed to keeping investors fully informed. Therefore, an active marketing approach is embedded in the funding strategy. Through forums such as conference calls, domestic and international roadshows and investor presentations, the Bank aims to extend its investor base, and keep stakeholders up to date on its financial performance and counterparty status.

Deposits

The following table sets out the Bank's deposits (in R millions) for the years ended 30 June 2017 and 30 June 2016. (Note that deposits include both amounts deposited by customers, as well as institutional funding via debt capital market issuances but excluding subordinated debt).

<u>Category analysis</u>	<u>30 June 2017</u>	<u>30 June 2016</u>
	<i>(R million)</i>	<i>(R million)</i>
Current accounts	185,183	174,213
Call deposits	178,902	161,841
Savings accounts.....	9,214	8,397
Fixed and notice deposits.....	254,527	246,881
Other deposits from customers	25,434	21,175
Negotiable certificates of deposit	54,042	57,638
Fixed and floating rate notes.....	114,589	86,160
Exchange traded notes	1,963	2,482
Repurchase agreements	28,139	35,868
Securities lending	4,098	4,758
Cash collateral and credit linked notes	20,599	27,204
Total deposits	876,690	826,617

The vast majority of the Bank's funding is denominated in Rand, although the Bank accepts deposits and funding in other currencies.

The table set out at note 31.2 of the 2017 FirstRand Bank Annual Report, which has been incorporated by reference into this Base Prospectus, sets out the current (within 12 months) and non-current (over 12 months) analysis of the Bank's balance sheet.

Foreign currency balance sheet

Given that the Bank's foreign currency activities, such as cross-border lending to support funding of African infrastructure projects and trade finance, have steadily increased over the past five years, and the growth of its UK-domiciled vehicle asset finance business, MotoNovo Finance, the active management of foreign currency balance sheet continues to be a strategic focus. The management of the Bank's foreign currency balance sheet considers all components, including the asset quality and sustainability of the assets being funded, appropriate capitalisation and pricing, appropriate debt level and repayment capacity, and the liquidity risk. The Bank manages its translation risk so as to limit the impact on its earnings, its net asset value, its capital position and ROE, thereby taking a comprehensive view on foreign currency asset and liability management.

The funding and liquidity risk is of specific importance and the Bank seeks to avoid exposing itself to undue liquidity risk and to maintain liquidity risk within the risk appetite approved by the board and risk committee (ALCCO and RCCC). The SARB via *Exchange Control Circular 6/2010* introduced macro-prudential limits applicable to authorised dealers, which includes the Bank as an authorised dealer. The Bank utilises its own foreign currency balance sheet measures based on economic risk and has set internal limits below those allowed by the SARB's macro-prudential limit framework.

FirstRand Bank's philosophy on foreign currency external debt

Given the growth in the Bank's foreign currency balance sheet/activities described above, it is therefore important to have a sound framework for the assessment and management of foreign currency external debt given the inherent vulnerabilities and liquidity risks associated with cross-border financing. These limits include the Bank's exposure to branches, foreign currency assets and guarantees.

A key determinant in an institution's ability to fund and refinance in currencies other than its domestic currency is the sovereign risk and associated external financing requirement. The Bank's framework for the management of external debt takes into account sources of sovereign risk and foreign currency funding capacity, as well as the macroeconomic vulnerabilities of South Africa. To determine South Africa's foreign currency funding capacity, the Bank considers the external debt of all South African entities (private and public sector, financial institutions) as all these entities utilise the South African system's capacity, namely, confidence and export receipts. The Bank employs a self-imposed structural borrowing limit and a liquidity risk limit more onerous than required in terms of regulations. This philosophy has translated into a resilient and sustainable foreign currency balance sheet and has limited the impact on the Bank of the sovereign rating downgrade to sub-investment grade in March 2017.

The Bank monitors its foreign currency exposure and liquidity risk profile according to a survival period methodology. The survival period assumes that the Bank maintains sufficient liquidity buffers to ensure that its liquidity needs are met during a period of prolonged market liquidity stress. The Bank targets a survival period for its foreign currency exposure in excess of 12 months.

The Bank's credit ratings

The following actions were taken in respect of South Africa's sovereign rating on 24 November 2017:

- S&P Global Ratings (S&P) lowered the long-term foreign currency sovereign credit rating on the South African sovereign to BB from BB+, reflecting its view of further deterioration in South Africa's economic outlook and its public finances. The long-term local currency sovereign credit rating was also lowered to BB+ from BBB-.

- Moody's Investors Service (Moody's) placed the Baa3 sovereign rating on review for downgrade, driven by developments which, in the agency's view, suggested that South Africa's economic and fiscal challenges were more pronounced than it had previously assumed. These included weaker growth prospects, material budgetary revenue shortfalls and increased spending pressures, which the agency believes will cause a faster and larger rise in government debt-to-GDP than previously anticipated.

On 23 March 2018, Moody's confirmed the Baa3 sovereign rating and changed the outlook to stable. The confirmation of the Baa3 rating reflects Moody's view that the previous weakening of South Africa's institutions will gradually reverse under a more transparent and predictable policy framework. The recovery of the country's institutions will, if sustained, gradually support a corresponding recovery in its economy, along with a stabilisation of fiscal strength.

South African sovereign – long-term ratings*			
	Outlook	Foreign currency	Local currency
S&P	Stable	BB	BB+
Moody's	Stable	Baa3	Baa3

* Ratings as at 6 April 2018.

Source: S&P Global Ratings and Moody's Investors Service.

Following the South African sovereign rating actions described above, similar ratings actions were taken on the South African banks. This is because the banks' issuer credit ratings are constrained by the sovereign rating given the direct and indirect impact that sovereign distress would have on domestic banks' operations. The table below summarises the credit ratings for FirstRand Bank Limited.

FirstRand Bank Limited credit ratings*						
Outlook	Counterparty		National scale		Standalone credit rating**	
	Long term	Short term	Long term	Short term		
S&P	Stable	BB	B	zaAA-	zaA-1+	bbb-
Moody's	Stable	Baa3	P-3	Aaa.za	P-1.za	baa3

* Ratings as at 6 April 2018.

** Refers to a rating agency's measure of a bank's intrinsic creditworthiness before considering external factors, e.g. affiliate or government support. S&P uses the standalone credit profile and Moody's the baseline credit assessment.

Sources: S&P Global Ratings and Moody's Investors Service.

FirstRand Bank's standalone credit ratings remains unchanged and are reflective of its resilient market position as one of South Africa's leading banks, focused on strategy, good core profitability, financial flexibility, robust risk management and sound capitalisation.

RISK MANAGEMENT

The Group believes that effective risk, performance and financial resource management are key to its success and underpin the delivery of sustainable returns to its shareholders. These disciplines are, therefore, deeply embedded in the Group's tactical and strategic decision making.

Risk is managed on a Group basis and therefore, this section also covers the Group's risk philosophy and management practices (which also apply to the Bank). Although the Group and the Bank each has its own board of directors, there is a single set of governance committees for the Group and all three of its major subsidiaries (i.e. the Bank, FREMA and FRIHL).

The Group believes a strong balance sheet and resilient earnings streams are key to growth, particularly during periods of uncertainty. FirstRand's operating franchises have consistently applied strategies which are aligned to Group financial strategies and frameworks and which are designed to ensure earnings resilience and growth, balance sheet strength, an appropriate risk/return profile and an acceptable level of earnings volatility under adverse conditions.

The Group defines risk widely – as any factor that, if not adequately identified, assessed, monitored and managed, may prevent it from achieving its business objectives or result in adverse outcomes, including reputational damage.

The Group's core risk competencies (namely, identification, assessment, monitoring and management of risks) are integrated in all management functions across the organisation to support business by providing the checks and balances to ensure sustainability, performance, the achievement of desired objectives and avoidance of adverse outcomes and reputational damage.

The Group is exposed to a number of risks that are inherent in its operations. The Group's core competencies are applied by the individual franchises to ensure these risks are appropriately managed. The risk appetite per key risk is monitored to ensure balance between risk and reward.

Risk limits established across all risk types are an integral part of managing the risks and are instrumental in constraining risk appetite within acceptable levels. The risk definitions, roles and responsibilities of each stakeholder in business, support and control functions in the management of these risks are described in the Group's business performance and risk management framework ("**BPRMF**").

Risk governance framework

The risk management structure is set out in the Group's BPRMF. As a policy of the Board, the BPRMF delineates the roles and responsibilities of key stakeholders in business, support and control functions across the various franchises and the Group.

The Group believes that effective risk management requires multiple points of control or safeguards that should consistently be applied at various levels throughout the organisation. The Board has established a number of committees, which are responsible for implementing and monitoring the Group's risk management strategies, across three lines of control (namely risk ownership, risk control and independent assurance). There are three lines of control across the Group's operations, which are recognised in the BPRMF. For a diagrammatic overview of the Group's three lines of control, see page B12 of the 2017 Summary Risk and Capital Management Report.

Risk governance structure

The primary Board committee overseeing risk matters across the Group is the RCCC. It has delegated responsibility for a number of specialist topics to various subcommittees. For a diagrammatic overview of how the various risk committees fit into the Board committee structure, see page B13 of the 2017 Summary Risk and Capital Management Report.

Additional risk, audit and compliance committees exist in each franchise, the governance structures of which align closely with that of the Group. The franchise risk, audit and compliance committees support the Board risk committees and RCCC subcommittees.

Risk, Capital Management and Compliance committee

The RCCC is the principal Board committee responsible for overall oversight of risk management across the Group. Its key functions are to:

- approve risk management policies, frameworks, strategies and processes;
- monitor the containment of risk exposures within the risk appetite framework;
- report on the assessment of adequacy and effectiveness of risk appetite, risk management, internal capital adequacy assessment process ("**ICAAP**") and compliance processes to the Board;
- monitor the implementation of the Group risk management strategy, risk appetite limits and effectiveness of risk management;

- initiate and monitor corrective action, where appropriate;
- monitor that the Group takes appropriate action to manage its regulatory and supervisory risks, and complies with applicable laws, rules, codes and standards;
- approve regulatory capital models, risk and capital targets, limits and thresholds; and
- monitor capital adequacy and ensure that a sound capital management process exists.

The RCCC has established a number of specialised subcommittees which deal with specific risk types or oversight activities (as detailed below).

Audit Committee

The role of the Audit Committee is to assist the Board with its duties relating to the safeguarding of assets, operation of adequate systems and controls, assessment of going concern status and to ensure that relevant compliance and risk management processes are in place. Additionally, the Audit Committee oversees and reviews work performed by the Group's external auditors and internal audit function. It also oversees financial risks and internal financial controls (including the integrity, accuracy and completeness of the financial information and annual integrated report), which is provided to shareholders and other stakeholders.

Large Exposures Committee

The role of the Large Exposures Committee is to review and approve applications or renewals for investments, advances or other credit instruments in excess of 10 per cent. of the Bank's qualifying capital and reserves. It also reviews and approves transactions with a related party and the write-off of any related-party exposure exceeding 1 per cent. of the Bank's qualifying common equity tier 1 capital and reserve funds. The Large Exposure Committee delegates the mandate for approval of Group and individual facilities to the FirstRand wholesale credit approval committee, commercial credit approval committee and the FirstRand retail credit policy, risk appetite and mandate approval committee, as appropriate.

Information Technology, Risk and Governance Committee

The Information Technology, Risk and Governance Committee operates to approve and monitor the implementation of IT risk and governance principles, policies, standards, frameworks and plans. It monitors the availability, security and continuity of IT services, as well as the remediation of identified key IT risks and initiates corrective action, where required. It is also responsible to ensure that IT has appropriately skilled risk and management resources to deliver on the business mandate.

RCCC Subcommittees

The RCCC has established the below subcommittees to address specific risk types or oversight activities:

Credit Risk Management Committee

The Credit Risk Management Committee is responsible for approving credit risk management and risk appetite policies as well as forward-looking credit risk indicators developed by retail, commercial and corporate portfolio management. It monitors the credit risk profile including performance relative to credit risk appetite thresholds, quality of the in-force business and business origination in terms of the Group's view of credit economic outlook. It also monitors scenario and sensitivity analysis, stress tests, credit economic capital utilisation, credit pricing and credit concentrations. It works to ensure uniform interpretation of credit regulatory requirements and credit reporting, and it monitors corrective actions, where appropriate.

Market and Investment Risk Committee

The Market and Investment Risk Committee approves market and investment risk management policies, standards and processes. It monitors the market and investment risk profile and the effectiveness of market and

investment risk management processes, and monitors implementation of corrective action, where required. It approves market and investment risk-related limits.

Model Risk and Validation Committee

The Model Risk and Validation Committee approves (or recommends for approval by the RCCC), all material aspects of model validation work including credit ratings and estimations, internal models for market risk and advanced measurement operational risk models for regulatory capital calculations.

Asset, Liability and Capital Committee ("ALCCO")

The ALCCO approves and monitors effectiveness of management policies, assumptions, limits and processes for liquidity and funding risk, capital and non-traded market risk. It monitors the Group's funding management and capital management including level, composition, supply and demand of capital, and capital adequacy ratios. It approves frameworks and policies relating to internal funds transfer pricing for the Group.

Compliance and Conduct Risk Committee

The Compliance and Conduct Review Committee is tasked with oversight of management frameworks, plans, risk management policies and standards. It monitors the effectiveness of regulatory risk management across the Group and initiates corrective action, where required. It also monitors compliance with the regulations and supervisory requirements relating to banks, and reviews regulatory compliance matters relating to financial crime, market conduct, prudential regulations, anti-bribery and corruption.

Tax Risk Committee

The Tax Risk Committee sets tax strategy and tax risk appetite. It approves tax management frameworks and policies and monitors tax risk assessments and profiles, compliance tax risks, corrective actions and escalation of matters to the RCCC, where required.

Operational Risk Committee

The Operational Risk Committee provides governance, oversight and coordination of relevant operational risk management practices, and initiates corrective action, where required. It recommends the Group's operational risk appetite for approval by the RCCC. It monitors Group and franchise operational risk profiles against operational risk appetite. It approves operational risk management framework and all its sub-policies/frameworks, including fraud risk, legal risk, business resilience, information governance, information technology and physical security.

Risk appetite

The Group's risk appetite enables organisational decision-making and is integrated with its strategic objectives. Business and strategic decisions are aligned to risk appetite measures to ensure these are met during a normal cyclical downturn. At a business unit-level, strategy and execution are influenced by the availability and price of financial resources, earnings volatility limits and required hurdle rates and targets.

FirstRand's risk appetite is the aggregate level and type of risks the Group is willing and able to accept within its overall risk capacity, and is captured by a number of qualitative principles and quantitative measures.

The aim is to ensure that the Group maintains an appropriate balance between risk and reward. Risk appetite limits and targets are set to ensure the Group achieves its overall strategic objectives, namely:

- create long-term franchise value;
- deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility; and
- maintain balance sheet strength.

The Group's strategic objectives and financial targets frame its risk appetite in the context of risk, reward and growth and contextualise the level of reward the Group expects to deliver to its stakeholders under normal and stressed conditions for the direct and consequential risk it assumes in the normal course of business.

Application of the risk/reward framework

Risk appetite, targets and limits are used to monitor the Group's risk/reward profile on an ongoing basis and are measured point-in-time and on a forward-looking basis. Risk appetite influences franchise business plans and informs risk-taking activities and strategies.

The risk/reward framework provides for a structured approach to define risk appetite, targets and limits that apply to each key resource as well as the level of risk that can be assumed in this context. The Group cascades overall appetite into targets and limits at risk type, franchise and subsequent activity level, and these represent the constraints the Group imposes to ensure its commitments are attainable. Management of risk is the responsibility of everybody across all levels of the Group, supported through the three lines of control and the Group's risk governance committees.

Stress testing and scenario planning

Stress testing and scenario planning serve a number of regulatory and internal business purposes, and are conducted for the Group and the Bank across different risk types, factors and indicators. The Group employs a comprehensive, consistent and integrated approach to stress testing and scenario planning. The impact of the risk scenarios on the business is evaluated and the need for adjustment to origination is considered and appropriate actions are taken. More severe scenarios are run less frequently, but are critical to determine or test capital buffers, enhance capital and liquidity planning, validate existing quantitative risk models and improve the understanding of required management actions/responses.

Stress tests are also conducted for other Group legal entities. The various stress test processes are supported by a robust and holistic framework and underpinned by principles and sound governance, which are aligned to regulatory requirements and best practice. Stress testing and scenario analysis provide the Board and management with useful insight on the Group's financial position, level of earnings volatility, risk profile, and future capital position. Results are used to challenge and review certain of the Group's risk appetite measures, which will, over time, influence the allocation of financial resources across franchises and business units and impact performance measurement. From a regulatory perspective, stress testing and scenario planning feed into the Group's annual ICAAP and recovery plan. The ICAAP stress test is an enterprise-wide, macroeconomic stress test covering material risks that the Group is exposed to. It typically covers a three-year horizon, with separate ICAAP submissions completed for the Group's regulated Banking entities which are subject to Basel II requirements. The severity of the macroeconomic scenarios ranges from a mild downturn to severe stress scenarios. In addition to macroeconomic scenarios, the Group incorporates event risk and reverse stress test scenarios that highlight contagion between risk types. Techniques and methodologies range from multi-factor and regression analyses for macroeconomic stress tests to single-factor sensitivities and qualitative impact analysis for event risk and reverse stress tests.

The Group's recovery plan builds on its ICAAP. The scenarios defined for ICAAP are extended and incorporate the following scenarios:

- systemic;
- idiosyncratic;
- fast moving; and
- slow moving.

The results of the ICAAP and recovery plan process are submitted to the SARB annually and are key inputs into:

- the determination of capital buffer requirements and capital targets;

- dividend proposals;
- the Group's earnings volatility measures; and
- performance management requirements.

The Group regularly runs additional ad hoc stress tests for both internal and regulatory purposes. Internally, risk-specific stress tests may utilise various techniques depending on the purpose (e.g. limit setting or risk identification). From a regulatory perspective, the Group expects to be subject to more frequent supervisory stress tests covering a range of objectives. During the 2017 financial year, FirstRand participated in a supervisory stress test to assess the impact of a potential local currency sovereign downgrade on the South African Banking industry.

Recovery and resolution regime

Financial Services Board ("**FSB**") member countries are required to have recovery and resolution plans in place for all systemically significant financial institutions as per Key Attributes of Effective Resolution Regimes published by the FSB. The SARB adopted this requirement and has, as part of the first phase, required domestic systemically important banks to develop their own recovery plans. Improving the stability of the banking system by strengthening banks' ability to manage themselves through a potentially severe stress situation is of national importance. Guidance issued by the FSB and SARB has been incorporated into the Group's comprehensive recovery plan.

Recovery planning

The purpose of the recovery plan is to document how FirstRand's board and management, including its franchises and key subsidiary, FirstRand Bank, will recover from a severe stress event/scenario that threatens the Group's commercial viability.

The recovery plan:

- analyses the potential for severe stress in the Group that could cause material disruption to the South African financial system;
- considers the type of stress event/s that would be necessary to trigger its activation;
- analyses how the Group might potentially be affected by the event(s);
- lists a menu of potential recovery actions available to the board and management to counteract the event(s); and
- assesses how the Group might recover from the event(s) as result of those actions.

The recovery plan forces the Group to perform an extensive self-assessment exercise to determine if there are any potential idiosyncratic vulnerabilities that it may be exposed to, and then reconcile these exposures to its own risk appetite and strategy. Strategies to optimise the balance sheet structure and preserve the Group's critical functions to support the recovery from a severe stress event with the least negative impact are considered. This process enables banks to better understand what functions are critical for its customers and the financial system, as well as which assets are most marketable to facilitate recovery. Where inefficiencies are identified, these can be amended to make the Group more streamlined, adaptable and resilient to stress.

As at the date of this Base Prospectus FirstRand has submitted five annually-revised versions of its recovery plan to the SARB, the most recent in December 2017.

Resolution framework

In September 2015, the SARB and FSB published for public comment a discussion document, Strengthening South Africa's Resolution Framework for Financial Institutions. The paper sets out the motivation, principles

and policy proposals for such a strengthened framework and is intended to solicit public comment and serve as a basis for further industry discussions in preparation for the drafting of a Special Resolution Bill ("SRB").

The Resolution Authority (proposed new unit in SARB), will be responsible for Bank resolution. The exact details of the legislative framework that will support the resolution regime and the Resolution Authority's respective powers are still being finalised and should be disclosed when the SRB is released. Resolution plans will allow the Resolution Authority to plan for an event from which a Bank's recovery action has failed or is deemed likely to fail. Bank resolution plans will be owned and maintained by the Resolution Authority, but will require a significant amount of bilateral engagement and input from individual Banks to enable it to develop a customised plan that is most appropriate to each Bank.

As part of the Resolution Framework and powers of the Resolution Authority, a Deposit Insurance Scheme ("**DIS**") is proposed to protect depositors and enhance financial stability. A discussion paper on designing a DIS was issued in May 2017. The May 2017 discussion paper was open to public comment until 31 August 2017.

The proposed resolution framework, incorporating the DIS, is expected to form the comprehensive regulatory architecture for reducing the social and economic cost of failing financial institutions. In January 2018, a draft resolution framework was released to the financial services industry for initial review following which it will be released to the public for general comment. This draft framework sets out the broad principles for the resolution of banks, systemically-important non-bank financial institutions and holding companies of banks, and highlights the various legislative amendments required to ensure the framework is enforceable. Detailed definitions of key elements of the resolution framework are subject to finalisation, and directives or addendums to this framework will be published once finalised.

RISK PROFILE

The Group is exposed to a number of risks that are inherent in its operations. Identifying, assessing, pricing and managing these risks appropriately are core competencies of the individual business areas. The major risk types to which the Bank is exposed are set out in the tables on pages B14 and B15 of the 2017 Summary Risk and Capital Management Report.

Credit Risk

Credit risk is the risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads. Credit risk also includes credit default, pre-settlement, country, concentration and securitisation risk.

Credit risk arises primarily from advances and certain investment securities. Other sources of credit risk arise from cash and cash equivalents, accounts receivable, derivative balances and off-balance sheet exposures.

The goal of credit risk management is to maximise the Group's measure of economic profit, net income after capital charge ("**NIACC**"), within acceptable levels of earnings volatility by maintaining credit risk exposure within acceptable parameters.

Credit risk management objectives are two-fold:

- Risk control: appropriate limits are placed on the assumption of credit risk and steps taken to ensure that accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfil this task.
- Management: Credit risk is taken within the constraints of the risk appetite framework. The credit portfolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions, overseen by the Group credit risk function in Enterprise Risk Management ("**ERM**") and relevant board committees fulfil this task.

Based on the Group's credit risk appetite, as measured on a ROE, NIACC and volatility of earnings basis, credit risk management principles include holding the appropriate level of capital and pricing for risk on an individual

and portfolio basis. The scope of credit risk identification and management practices across the Group, therefore, spans the credit value chain, including risk appetite, credit origination strategy, risk quantification and measurement as well as collection and recovery of delinquent accounts.

The following table sets out the Bank's credit risk profile as at the dates indicated:

Credit risk profile* (audited)

	As at 30 June 2017	As at 30 June 2016
Gross advances (R million)	813,997	778,625
Credit loss ratio (%).....	0.88	0.85
NPLs as a % of advances.....	2.27	2.43
Specific coverage ratio (%) **	38.6	38.6
Total impairments coverage ratio (%)	78.8	76.7
Performing book coverage ratio (%)	0.93	0.95

* Metrics provided on an IFRS basis.

** Specific impairments as a percentage of NPLs.

See Note 31.1 of the 2017 FirstRand Bank Annual Report for further information in relation to the credit quality of the Bank's assets and analysis of impaired advances.

The Bank employs credit mitigation instruments where appropriate to reduce the Bank's lending risk. These include financial or other collateral, netting agreements, guarantees or credit derivatives. The types of collateral are determined on the basis of the nature of the portfolio, product or counterparty type. See Note 31.1.4 of the 2017 FirstRand Bank Annual Report for further information in relation to credit risk mitigation and collateral held.

Funding and Liquidity Risk

Funding and Liquidity risk is the risk that the Bank will not be able to effectively meet current and future cashflow and collateral requirements without negatively affecting the normal course of business, financial position or reputation.

Given the liquidity risk introduced by its business activities, the Group's objective is to optimise its funding profile within structural and regulatory constraints to enable its franchises to operate in an efficient and sustainable manner.

Compliance with the Basel III LCR influences the Group's funding strategy, in particular it seeks to restore the correct risk-adjusted pricing of liquidity. The Group is actively building its deposit franchise through innovative and competitive product and pricing, while also improving the risk profile of its institutional funding. This continues to improve the funding and liquidity profile of the Group.

Given market conditions and the regulatory environment, the Group increased its holdings of available liquidity over the year ended 30 June 2017 in line with risk appetite. The Group utilised new market structures, platforms and the SARB committed liquidity facility to efficiently increase the available liquidity holdings.

Liquidity risk arises from all assets and liabilities with differing maturity profiles.

Liquidity risk profile

<i>R billion</i>	<u>As at 30 June 2017</u>	<u>As at 30 June 2016*</u>
High quality liquid assets (HQLA)		
- Cash and deposit with central banks	29	26
- Government bonds and bills	93	78
- Other liquid assets	33	37
Total HQLA	<u>155</u>	<u>141</u>
FirstRand Bank (SA) LCR %	<u>105</u>	<u>102</u>

*2016 numbers restated to the Basel III view.

The Group focuses on continuously monitoring and analysing the potential impact of other risks and events on the funding and liquidity position of the Group to ensure business activities preserve and improve funding stability. This ensures that the Group is able to operate through periods of stress when access to funding is constrained.

Mitigation of market and funding liquidity risks is achieved via contingent liquidity risk management. Buffer stocks of high quality, highly liquid assets are held either to be sold into the market or provide collateral for loans to cover any unforeseen cash shortfall that may arise.

The Group's approach to liquidity risk management distinguishes between structural, daily and contingency liquidity risk management across all currencies, and various approach are employed in the assessment and management of these on a daily, weekly and monthly basis.

Regular and rigorous stress tests are conducted on the funding profile and liquidity position as part of the overall stress testing framework with a focus on:

- Quantifying the potential exposure to future liquidity stresses;
- Analysing the possible impact of economic and event risks on cashflows, liquidity, profitability and solvency; and
- Proactively evaluating the potential secondary and tertiary effects of other risks on the Group.

Market Risk

The Group distinguishes between market risk in the trading book – the risk of adverse revaluation of any financial instrument as a consequence of changes in market prices or rates – and non-traded market risk.

The Group's market risk in the trading book emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products, and is taken and managed by RMB. The relevant businesses in RMB function as the centres of expertise with respect to all market risk related activities. Market risk is managed and contained with the Group's risk appetite. Overall diversified levels of market risk have remained fairly low during the last few years, with this trend continuing over 2016. There are no significant concentrations in the portfolio, which also reflects overall lower levels of risk.

Market risk in the trading book includes interest rate risk in the trading book, traded equity and credit risk, commodity risk, foreign exchange risk and interest rate risk in the RMB banking book which is managed as part of the trading book.

Management and monitoring of the FirstRand domestic banking book is split between the RMB book and the remaining domestic banking book. RMB manages the majority of its banking book under the market risk

framework, with risk measure and monitored in conjunction with the trading book and management oversight provided by the market and investment risk committee.

The following table sets out the manner in which the Group distinguishes between interest rate risk in the banking book and structural foreign exchange risk:

RISK AND JURISDICTION	RISK MEASURE	MANAGED BY
Interest rate risk in the banking book		
Domestic – FNB, WesBank and FCC balance sheet	<ul style="list-style-type: none"> • 12-month earnings sensitivity; and • economic sensitivity of open risk position. 	Group Treasury
Subsidiaries in the rest of Africa and international branches	<ul style="list-style-type: none"> • 12-month earnings sensitivity; and • economic sensitivity of open risk position. 	In-country management
Structural foreign exchange risk		
Group	<ul style="list-style-type: none"> • total capital in a functional currency other than rand; • impact of translation back to rand reflected in group; and • foreign currency translation reserve value. 	Group Treasury

THE BANKING SECTOR IN SOUTH AFRICA

The South African banking system is well-developed and effectively regulated, comprising several large, financially-strong banking groups and a number of smaller banks, mutual banks and co-operative banks. Many foreign banks and investment institutions have also established operations in South Africa. The South African Government (the "**Government**") generally endorses the IMF and World Bank standards. South African banks are regulated by the Prudential Authority, which is a juristic person operating within the administration of the SARB. As a member of the Basel Committee on Banking Supervision, the SARB is committed to ensuring that the South African regulatory and legislative framework relating to the regulation and supervision of banks and banking groups remains compliant with international standards and best practice. Changes in international standards and requirements normally result in amendments to the South African prudential standards which usually result in amendments to, among other, the Regulations relating to Banks. For example, the Basel III phase-in arrangements largely resulted in prudential regulatory changes, and new and/or amended requirements and standards. In line with the above, various other documents, frameworks and requirements that impact materially on the regulation and supervision of banks and banking groups in South Africa, are issued by the international standard-setting bodies on an ongoing basis, which will, going forward result in revised additional and/or new regulatory requirements. The Prudential Authority, which represents South Africa on the Basel Committee on Banking Supervision, actively participates in international regulatory and supervisory standard-setting forums at which it is represented and provides input into the continued refinement of the supervisory framework, also as it relates to Basel III. In addition to the above, and in line with the implementation of a Twin Peaks system of financial sector regulation in South Africa, the SARB is the macro-prudential regulator and responsible for protecting and enhancing financial stability and restoring and maintaining financial stability in terms of a systemic event, whilst the newly established Financial Sector Conduct Authority is responsible for, among other things, enhancing and supporting efficiency and the integrity of financial markets and to regulate and supervise the conduct of financial institutions.

The National Payment System Act, 1998 (as amended) was introduced to bring the South African financial settlement system in line with international practice and systematic risk management procedures. The Payment Association of South Africa, under the supervision of the SARB, the National Payments System Department has facilitated the introduction of payment clearing house agreements. It has also introduced agreements pertaining to settlement, clearing and netting agreements, and rules to create certainty and reduce systemic and other risks in inter-bank settlement. These developments have brought South Africa in line with international inter-bank settlement practice. Electronic banking facilities are extensive, with a nationwide network of automatic teller machines and internet banking being available. As payments systems have evolved, various initiatives and developments are currently being taken by the National Payment System Department of the SARB to re-align its mandate and strategy in line with international best practice, as well as the inherent requirements of the Financial Sector Regulation Act, 2017.

Regulation

Financial sector regulatory legislation in South Africa is increasing following the commencement of the implementation of the Twin Peaks approach to financial sector regulation and alignment to new and additional international best practice through the accords of, among others, international bodies such as the Bank of International Settlements ("**BIS**"), the International Organisation of Securities Commissions; and the International Association of Insurance Supervisors. Banks in South Africa are governed by a comprehensive legislative framework, most significantly the Financial Sector Regulation Act 2017, read with the Banks Act (Act no. 94 of 1990 – the Banks Act), which is comparable to similar legislation in the United Kingdom, Australia and Canada.

Anti-money laundering regulations

The Government has identified the combating of financial crime as policy priority. South Africa has a well-established anti-money laundering ("**AML**") and counter terror financing ("**CTF**") legislative framework (which includes but is not limited to the Financial Intelligence Centre Act, 2001, as amended). The mutual evaluation report issued by the Financial Action Task Force, the purpose of which is the development and promotion of national and international AML and CTF policies, confirmed that South Africa has demonstrated a strong commitment to implementing AML/CTF systems facilitated by close cooperation and coordination among a variety of government departments and agencies. The authorities sought to construct a system which uses, as its

reference, the relevant United Nations Conventions and the international standards as set out by the Financial Action Task Force. In terms of the FIC Act, the SARB, through the Prudential Authority, is mandated to supervise and enforce banks' compliance with the FIC Act. In line with this mandate, the Prudential Authority will continue to conduct inspections on banks with the aim to assess whether appropriate measures and controls are in place to ensure compliance with the provisions of the FIC Act, related regulations and regulatory requirements. The Prudential Authority, as a financial sector regulator, is by law required to co-operate and collaborate with the Financial Intelligence Centre when performing its functions in terms of the FIC Act. The Issuer has implemented an AML framework which includes CTF policies and takes measures to effect continuous improvement in its processes to address its AML and CTF risks.

As a bank, the Issuer is subject to government regulation in South Africa. Regulatory agencies have broad jurisdiction over many aspects of the Issuer's business, which may include capital adequacy, premium rates, marketing and selling practices, advertising, licensing agents, policy forms, terms of business and permitted investments. Changes in government policy, legislation or regulatory interpretation applying to the financial services industry in the markets in which the Issuer operates may adversely affect the Issuer's product range, distribution channels, capital requirements, environmental and social obligations and, consequently, reported results and financing requirements. In particular, any change in regulation to increase the requirements for capital adequacy or liquidity, or a change in accounting standards, could have a material adverse impact on the Issuer's business, results, financial condition or prospects.

South African Reserve Bank

The SARB is, as South Africa's central bank and macro-prudential regulator, responsible for, among other things, contributing towards the achievement and maintenance of a stable financial system and for protecting and enhancing financial stability and restoring and maintaining financial stability in terms of a systemic event. The SARB holds various international memberships including the G-20, the IMF, the BIS and the Committee of Central Bank Governors in the Southern African Development Community. The SARB serves on various BIS committees including the Basel Committee and the Committee on Payments and Settlement Systems.

Prudential Authority

The SARB has, prior to the implementation of the new regulatory Twin Peaks architecture, performed its function as banking regulator through its Bank Supervision Department, which issued banking licences to institutions and supervised their activities under the applicable legislation. The Prudential Authority, which is a juristic person operating within the administration of the SARB, will take effect from 1 April 2018. The Prudential Authority is responsible for, among other, prudential regulation and supervision of banks, banking groups and financial conglomerates in South Africa with the purpose of promoting and enhancing the safety and soundness of financial institutions and assist in maintaining financial stability. The Prudential Authority has extensive regulatory and supervisory powers which, among other, oblige banks to furnish certain prescribed returns to the Prudential Authority in order to enable the Authority to monitor compliance with the various prudential and other regulatory requirements imposed on banks in terms of the Banks Act, 1990, the Regulations Relating to Banks, and any other applicable regulatory instruments. The Chief Executive Officer of the Authority is a Deputy Governor of the SARB and a member of the Financial Stability Oversight Committee.

The Financial Sector Conduct Authority ("FSCA")

As a bank, the Issuer's market conduct will be regulated by the FSCA, once established. The FSCA is, similar to the Prudential Authority, the other pillar of the new financial sector regulatory architecture.

General

The Issuer's relationship with its regulatory authorities are largely managed by a dedicated regulatory and conduct risk management department and the FirstRand Limited Group's Public Policy and Regulatory Affairs Office. The Issuer views its relationship with the Registrar of Banks as being of the utmost importance. The Issuer is a member of the Banking Association of South Africa, which is effectively the mandated representative of the banking sector in South Africa, as it facilitates the enablement of a conducive banking environment through robust engagement with government and relevant stakeholders. The Issuer is supportive of the Twin Peaks regulatory objectives and endorses, as an active participant in the new regulatory landscape,

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

Current Environment

As at 31 December 2017, there were 11 locally controlled banks, 7 foreign controlled banks, 15 local branches of foreign banks, two banks in liquidation, 3 mutual banks and 30 foreign banks with approved representative offices in South Africa. The five largest banks by assets (Source: BA900, 31 December 2017) are Absa Bank Limited, First Rand Bank Limited, Investec Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited. According to the SARB, the banking sector in South Africa had total assets of R5.2 trillion as at 31 December 2017 (Source: BA900 31 December 2017).

EXCHANGE CONTROL

The information below is not intended as legal advice and it does not purport to describe all of the considerations that may be relevant to a prospective purchaser of Notes. Prospective purchasers of Notes who are non-South African residents or emigrants from the Common Monetary Area (defined below) are urged to seek further professional advice in regard to the purchase of Notes.

Exchange controls restrict the export of capital from South Africa, Namibia and the Kingdoms of Swaziland and Lesotho (collectively the "**Common Monetary Area**"). These exchange controls are administered by the FSD and regulate transactions involving South African residents. The purpose of exchange controls is to mitigate the decline of foreign capital reserves in South Africa. The Issuer expects that South African exchange controls will continue to operate for the foreseeable future. The South African government has, however, committed itself to gradually relaxing exchange controls and significant relaxation has occurred in recent years. It is the stated objective of the South African authorities to achieve equality of treatment between South African residents and non-South African residents in relation to inflows and outflows of capital. This gradual approach towards the abolition of exchange controls adopted by the South African government is designed to allow the economy to adjust more smoothly to the removal of controls that have been in place for a considerable period of time.

Since 1 March 2010 South African banks have been able to acquire direct and indirect foreign exposure up to 25 per cent. of their total liabilities (excluding equity), covering all foreign exposure but excluding foreign exposures directly related to infrastructural development and/or outward foreign direct investment.

The prior written approval of the FSD is required for the issuance of each Tranche of Notes issued under the Programme. The Issuer will obtain the prior written approval of the FSD for the issuance of each Tranche of the Notes under the Programme. The Final Terms or (in the case of Exempt Notes) Pricing Supplement applicable to each Tranche of notes issued under the Programme will be required to contain a statement that the requisite FSD approval has been obtained for that issuance.

The FSD may (and is currently expected to) impose certain conditions on the issue of each Tranche of Notes under the Programme, for example, with regard to maturity, issue size and listing.

TAXATION

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

South African Taxation

Withholding Tax

Withholding tax ("**WHT**") on interest payments from a South African source to non-residents at the rate of 15 per cent. came into effect on 1 March 2015. The WHT on interest applies to interest that is paid or that becomes due and payable on or after this date.

To the extent that any interest is paid to Noteholders who are South African tax residents, the WHT on interest will not apply.

The WHT on interest will also not apply to payments made to non-resident Noteholders in respect of any interest paid by a "bank" (defined as, inter alia, any bank as defined in section 1 of the Banks Act), provided no "back-to-back" arrangement exists between any non-resident Noteholder and the bank. The WHT on interest does not apply to payments of interest made in respect of any "listed debt", which is defined as debt that is listed on a recognised exchange. The London Stock Exchange plc constitutes a recognised exchange in accordance with paragraph 1 of the Eighth Schedule to the Income Tax Act. Other exemptions may apply to interest payments made to non-resident Noteholders.

If interest paid to a Noteholder does not qualify for an exemption under the WHT on interest provisions, an exemption from, or reduction of, any WHT on interest liabilities may be available under an applicable double taxation treaty.

Prospective subscribers for or purchasers of Notes are advised to consult their own professional advisors as to whether the payment of any interest in respect of the Notes will result in a liability for the WHT on interest.

Securities Transfer Tax (STT)

The issue, transfer and redemption of the Notes will not attract securities transfer tax ("**STT**") under the Securities Transfer Tax Act, 2007 (as amended from time to time) (the "**STT Act**") as the Notes do not constitute "securities" as defined in the STT Act. Any future transfer duties and/or taxes that may be introduced in respect of (or applicable to) the transfer of Notes will be for the account of holders of the Notes.

Value-Added Tax (VAT)

No value-added tax ("**VAT**") is payable on the issue or transfer of the Notes. The issue, sale or transfer of the Notes constitute "financial services" as contemplated in section 2 of the Value-Added Tax Act, 1991 (as amended from time to time) (the "**VAT Act**"). In terms of section 2 of the VAT Act, the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of a debt security as well as the issue, allotment or transfer of ownership of an equity security or a participatory security, and the buying and selling of derivatives constitute financial services, which are exempt from VAT in terms of section 12(a) of the VAT Act.

Where financial services as contemplated in section 2 are however rendered to non-residents who are not in South Africa at the time the services are rendered, such services will be subject to VAT at the zero rate in terms of section 11(2)(1) of the VAT Act. Commissions, fees or similar charges raised for the facilitation of the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of Notes that constitute "debt securities" as defined in section 2(2)(iii) of the VAT Act will be subject to VAT at the standard rate (currently 14 per cent.),

except where the recipient is a non-resident in which case such commissions, fees or similar charges may be subject to VAT at a zero rate as contemplated above.

Investors are advised to consult their own professional advisors as to whether commissions, fees or similar charges raised for the facilitation of the issue, allotment, drawing, acceptance, endorsement or transfer of ownership of the Notes will result in a liability for VAT.

Income Tax

Under current taxation law effective in South Africa, a "resident" (as defined in section 1 of the South African Income Tax Act, 1962 (as amended from time to time) (the "**Income Tax Act**")) is subject to income tax on his/her world-wide income. Accordingly, all holders of Notes who are residents of South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any income (including income in the form of interest) earned in respect of the Notes.

Non-residents of South Africa are subject to income tax on all income derived from a South African source (subject to domestic exemptions or relief in terms of an applicable double taxation treaty).

Interest income is derived from a South African source if that amount constitutes "interest" as defined in section 24J of the Income Tax Act where that interest:

1. is attributable to an amount incurred by a person that is a South African tax resident, unless the interest is attributable to a permanent establishment which is situated outside South Africa; or
2. is received or accrues in respect of the utilisation or application in South Africa by any person of funds or credit obtained in terms of any form of interest-bearing arrangement.

Accordingly, if the interest payments in respect of the Notes are from a South African source as set out above, the interest earned by a non-resident Noteholder will be subject to South African income tax unless such interest income is exempt from South African income tax under section 10(1)(h) of the Income Tax Act (see below).

In terms of section 24J of the Income Tax Act, broadly speaking, any discount or premium to the Nominal Amount of a Tranche of Notes will be treated as part of the interest income on the Notes. Interest income which is received by or accrues to the Noteholder is deemed, in accordance with section 24J of the Income Tax Act, to accrue on a day-to-day basis until that Noteholder disposes of the Notes or until maturity. The day to day accrual is determined by calculating the yield to maturity and applying it to the capital sum for the relevant tax period. As mentioned, the interest may qualify for an exemption under section 10(1)(h) of the Income Tax Act.

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

1. that Person is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the 12 month period preceding the date on which the interest is received or accrues by or to that Person; or
2. the debt from which that interest arises is effectively connected to a permanent establishment of that Person in South Africa.

If a holder does not qualify for the exemption under Section 10(1)(h) of the Income Tax Act, an exemption from, or reduction of any income tax liability may be available under an applicable double taxation treaty.

Certain entities may also be exempt from income tax. Prospective subscribers for or purchasers of Notes are accordingly advised to consult their own professional advisors as to whether the interest income earned on the Notes will be exempt under section 10(1)(h) of the Income Tax Act or whether they constitute entities that are exempt from income tax.

Section 24JB of the Income Tax Act contains specific provisions dealing with the taxation of "financial assets" and "financial liabilities" of "covered persons", as defined in section 24JB of the Income Tax Act. If section

24JB applies to the Notes, the tax treatment of the acquisition, holding and/or disposal of the Notes will differ from what is set out in this section. Noteholders should seek advice from their own professional advisors as to whether these provisions may apply to them.

Section 8F of the Income Tax Act applies to "hybrid debt instruments", and section 8FA of the Income Tax Act applies to "hybrid interest", as these terms are defined in the Income Tax Act. Sections 8F and 8FA provide that interest incurred or accrued on a hybrid debt instrument and/or hybrid interest are, for purposes of the Income Tax Act, deemed to be a dividend in specie. If either of these provisions applies, the tax treatment of the interest paid under the Notes will differ from what is set out in this section and such payments may be subject to dividends tax as a result of the deemed classification as dividends in specie. The provisions of sections 8F and 8FA will not apply where the instrument, or the instrument in respect of which any interest is owed, constitutes a tier 1 or tier 2 capital instrument referred to in the regulations issued in terms of section 90 of the Banks Act and which is issued by a bank as defined in section 1 of the Banks Act, or by a controlling company in relation to that bank.

Prospective subscribers for or purchasers of Notes are advised to consult their own professional advisors to ascertain whether the abovementioned provisions may apply to them.

The disposal of the Notes may give rise to income tax implications for any Noteholder that is a resident of South Africa. In respect of non-resident Noteholders, income tax implications may arise should the Notes so disposed of be attributable to a South African permanent establishment of such Noteholder. Prospective subscribers for or purchasers of Notes are advised to consult their own professional advisors to ascertain whether a disposal of the Notes will result in a liability to income tax.

Capital Gains Tax

The provisions relating to capital gains tax apply in respect of the disposal of any asset by certain taxpayers. The word "dispose" is defined in the Eighth Schedule to the Income Tax Act to include, *inter alia*, any action by virtue of which an asset is created, transferred, varied or extinguished. If an asset was acquired, is held and will be disposed of on a speculative basis or as part of a scheme of profit making, the gain should generally be subject to normal tax. Capital gains tax is imposed at lower effective rates in comparison to income tax.

Residents are subject to capital gains tax on all capital gains realised on the disposal of any assets held on a worldwide basis. A non-resident is subject to capital gains tax only in respect of capital gains which are realised from the disposal of (i) "immovable property" (as such term is defined in the Income Tax Act) situated in South Africa or any interest or right of whatever nature of such non-resident to or in immovable property situated in South Africa (as such term is defined in paragraph 2(2) of the Eighth Schedule to the Income Tax Act, being, in essence, equity shares in certain companies, the principal assets of which are "immovable property" located in South Africa), or (ii) assets effectively connected with a permanent establishment of that non-resident in South Africa. A "permanent establishment" is defined (in section 1 of the Income Tax Act) as a permanent establishment as from time to time defined in article 5 of the Model Tax Convention on Income and Capital of the Organisation for Economic Co-operation and Development, with some additions.

The disposal of Notes by residents of South Africa may give rise to capital gains tax implications.

The capital gains tax provisions will not apply to the extent that the holder of the Notes constitutes a "covered person", as defined in section 24JB of the Income Tax Act, and section 24JB of the Income Tax Act (see above) applies to the Notes.

Any discount or premium on acquisition of the Notes which has already been treated as interest for income tax purposes under section 24J of the Income Tax Act (see above) will not be taken into account when determining any capital gain or loss. In terms of section 24J(4A) of the Income Tax Act a loss on disposal or redemption of the Notes will, to the extent that it has previously been included in taxable income (as interest), be allowed as a deduction from the 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 Income Tax Act will not be levied in relation to Notes disposed of by a Person who is not a resident of South Africa unless the Notes disposed of are effectively connected with a permanent establishment of that Person in South Africa.

Prospective subscribers for or purchasers of Notes are advised to consult their own professional advisors as to whether a disposal or redemption of Notes will result in a liability to capital gains tax.

Definition

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

References to "person" above shall mean "person" within the meaning given in section 1 of the Income Tax Act.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as "**FATCA**", a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including South Africa) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January 2019 and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under Condition 19 (*Further Issues*)) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of BNP Paribas, HSBC Bank plc, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc and Rand Merchant Bank, a division of FirstRand Bank Limited (London Branch) (together, the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated Dealer Agreement dated 6 April 2018 (such Dealer Agreement as modified and/or supplemented and/or further restated from time to time, the "**Dealer Agreement**") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States of America: Regulation S Category 2.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States 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.

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 or 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 United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

Prohibition of sales to EEA Retail Investors:

Unless the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression retail investor means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

- (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"); and
- (b) the expression an "**offer**" includes 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 the Notes.

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", 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, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant 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 which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms or (in the case of Exempt Notes) a Pricing Supplement in relation thereto (or are the subject of the offering contemplated by a Drawdown Prospectus, as the case may be) 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 such Notes to the public in that Relevant Member State:

- (a) *Qualified investors*: at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) *Fewer than 100 offerees*: at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) *Other exempt offers*: at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 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 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, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Selling Restrictions Addressing Additional United Kingdom Securities Laws:

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.

Selling Restrictions Addressing Additional Securities Laws:

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "FIEA") and each Dealer has represented and agreed that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

South Africa

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it has not and will not offer or solicit any offers for sale or subscription or sell any Notes, in each case except in accordance with the South African exchange control regulations, the South African Companies Act, 2008, the South African Banks Act, 1990, the Financial Advisory and Intermediary Services Act, 2002 and any other applicable laws and regulations of South Africa in force from time to time. In particular, each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will not offer Notes for subscription, or otherwise sell any Notes, to any person who, or which, is a Resident (as defined in the South African exchange control regulations) other than in strict compliance with the South African exchange control regulations in effect from time to time, and, without prejudice to the foregoing, that it will take all reasonable measures available to it to ensure that no Note will be purchased by, or sold to, or beneficially held or owned by, any Resident other than in strict compliance with the South African exchange control regulations in effect from time to time.

General

Each Dealer has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Base Prospectus, any Final Terms or (in the case of Exempt Notes) Pricing Supplement or any related offering material, in all cases at its own expense. Other persons into whose hands this Base Prospectus or any Final Terms or (in the case of Exempt Notes) Pricing Supplement comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Base

Prospectus, any Final Terms or (in the case of Exempt Notes) Pricing Supplement or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "*General*" above.

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue.

¹**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

²**[MIFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")][MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

Final Terms dated []



FIRSTRAND BANK

FIRSTRAND BANK LIMITED

(incorporated with limited liability in South Africa with Registration Number 1929/001225/06)

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the "**Notes**")

under the U.S.\$1,500,000,000

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated 6 April 2018 [and the supplement[s] to the Base Prospectus dated [] [and []] which [together] constitute[s] a base prospectus] (the "**Base Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms relating to the issue of Notes

¹ Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

² Legend to be included on front of the Final Terms if following the ICMA 1 "all bonds to all professionals" target market approach.

described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Base Prospectus.

Full information on the Issuer and the Notes described herein is only available on the basis of a combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of the London Stock Exchange through a regulatory information service (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>).

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the "**Conditions**") set forth in the Base Prospectus dated [] which are incorporated by reference in the Base Prospectus dated 6 April 2018. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus and must be read in conjunction with the Base Prospectus dated 6 April 2018 [and the supplement[s] to the Base Prospectus dated [] [and []], which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of the London Stock Exchange through a regulatory information service (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>).]

- | | | |
|-----|---|---|
| 1. | Issuer: | FirstRand Bank Limited |
| 2. | (i) Series Number: | [] |
| | (ii) Tranche Number: | [] |
| | [(iii) Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [] on [the Issue Date/[]] |
| 3. | Specified Currency or Currencies: | [] |
| 4. | Aggregate Nominal Amount: | |
| | (i) Series: | [] |
| | (ii) Tranche: | [] |
| 5. | Issue Price: | [] per cent. of the Aggregate Nominal Amount [plus accrued interest from []]. |
| 6. | (i) Specified Denominations: | [] |
| | (ii) Calculation Amount: | [] |
| 7. | [(i)] Issue Date | [] |
| | [(ii)] Interest Commencement Date: | [] |
| 8. | Maturity Date: | [] |
| 9. | Interest Basis: | [[] per cent. Fixed Rate [to (but excluding) the First Reset Date]]
[[] +/-] [] per cent. Floating Rate]
[Zero Coupon]
[Reset Rate of Interest from (and including) the First Reset Date] |
| 10. | Redemption/Payment Basis: | Subject to any purchase and cancellation or early |

redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount

11. Change of Interest or Redemption/Payment Basis: [] [Not Applicable]
12. Put/Call Options: [Investor Put]
[Issuer Call]
13. (i) Status of the Notes: [Unsubordinated Notes] [Tier 2 Notes]
- (ii) [Date [Board] approval for issuance of Notes obtained: [] [and [], respectively]
- (iii) Date of approval(s) of the Financial Surveillance Department of the South African Reserve Bank for issuance of Notes obtained: []

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Note Provisions:** [Applicable/Not Applicable]
- (i) Rate(s) of Interest: [In respect of each Interest Period beginning prior to the First Reset Date,] [] per cent. per annum payable in arrear on each Interest Payment Date.
- [In respect of each Interest Period beginning on or after the First Reset Date, the relevant Reset Rate of Interest payable in arrear on each Interest Payment Date.]
- (ii) Interest Payment Date(s): [] in each year up to and including the Maturity Date.
- [There will be a [short/long] first interest period from, and including, the Interest Commencement Date to, but excluding, [] (the "[Short]/[Long] First Coupon").]
- [There will be a [short/long] final interest period from, and including, [] to, but excluding, the Maturity Date (the "[Short]/[Long] Final Coupon").]
- (iii) Fixed Coupon Amount(s): [In respect of each Interest Period beginning prior to the First Reset Date,] [] per Calculation Amount [other than in respect of the [Short]/[Long] [First]/[Final] Coupon (as to which see paragraph 14(iv) below)].
- [In respect of each Interest Period beginning on or after the First Reset Date, the amount(s) determined in accordance with Condition 7(e).]
- (iv) Broken Amount(s): [In respect of the [Short]/[Long] [First]/[Final] Coupon, [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [] [Not Applicable]

- (v) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (vi) Determination Dates: [[] in each year] [Not Applicable]
- (vi) Reset Rate: [Applicable/Not Applicable]
- Initial Mid-Swap Rate: []
 - First Reset Date: []
 - Reset Margin: []
 - Swap Rate Screen Page: []
 - Relevant Centre: []
 - Reset Reference Rate: []
15. **Floating Rate Note Provisions:** [Applicable/Not Applicable]
- (i) Specified Period: []
- (ii) Specified Interest Payment Dates: [][, subject to adjustment in accordance with the Business Day Convention set out in (iv) below /, not subject to any adjustment, as the Business Day Convention in (iv) below is specified to be Not Applicable]
- (iii) First Interest Payment Date: [][, subject to adjustment in accordance with the Business Day Convention set out in (iv) below /, not subject to any adjustment, as the Business Day Convention in (iv) below is specified to be Not Applicable]
- (iv) Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention] [Not Applicable]
- (v) Additional Business Centre(s): [] [Not Applicable]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ ISDA Determination]
- (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): [[] shall be the Calculation Agent]
- (viii) Screen Rate Determination Reference Rate: [LIBOR / EURIBOR]
- Relevant Screen Page: []
- (ix) ISDA Determination:
- Floating Rate Option: []

- Designated Maturity: []
 - Reset Date: []
- (x) Linear Interpolation: [Not Applicable][Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
- (xi) Margin(s): [+/-][] per cent. per annum
- (xii) Minimum Rate of Interest: [] per cent. per annum
- (xiii) Maximum Rate of Interest: [] per cent. per annum
- (xiv) Day Count Fraction: [Actual/365] [Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/360]
[30/360]
[30E/360] [Eurobond Basis]
[30E/360 (ISDA)]
16. **Zero Coupon Note Provisions:** [Applicable/Not Applicable]
- (i) Accrual Yield: [] per cent. per annum
- (ii) Reference Price: []
- (iii) Day Count Fraction in relation to early redemption: [Actual/Actual (ICMA)]
[Actual/365] [Actual/Actual (ISDA)]
[Actual/360]
[30/360]
[30E/360] [Eurobond Basis]

PROVISIONS RELATING TO REDEMPTION

17. **Call Option:** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) (Call): [[] per Calculation Amount / As set out in Condition 11(i)]
- (iii) If redeemable in part: [Applicable/Not Applicable]
- (a) Minimum Redemption Amount: [] per Calculation Amount
- (b) Maximum Redemption Amount: [] per Calculation Amount
18. **Put Option:** [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) (Put): [[] per Calculation Amount / As set out in Condition 11(i)]

19. **Final Redemption Amount of each Note:** [] per Calculation Amount

20. **Early Redemption Amounts:**

(i) Early Redemption Amount (Regulatory): [[] per Calculation Amount / Make Whole Redemption Amount / Not Applicable]

(a) Make Whole Margin: [[] / Not Applicable]

(b) Reference Bond: [CA Selected Bond / [] / Not Applicable]

(c) Quotation Time: [[5.00 p.m. [Brussels / London / [] time] / Not Applicable]

(ii) Early Redemption Amount (Tax Gross up): [[] per Calculation Amount / As set out in Condition 11(i)]

(iii) Early Redemption Amount (Tax Deductibility): [[] per Calculation Amount / Not Applicable]

21. Substitution and Variation for Tier 2 Notes: [Applicable/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [] [Not Applicable]

Signed on behalf of FirstRand Bank Limited:

By:
Duly authorised

PART B - OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: [London]
- (ii) Estimate of total expenses related to admission to trading: []

2. RATINGS

Ratings: [Moody's: []]
[Moody's IS: []]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for the fees [of [*insert relevant fee disclosure*]] payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business]

4. Yield (*Fixed Rate Notes only*): []

5. OPERATIONAL INFORMATION

ISIN Code: []

Common Code: []

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking S.A. and the relevant identification number(s): [] [Not Applicable]

Names and addresses of additional Paying Agent(s) (if any): []

6. DISTRIBUTION

Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products, "Applicable" should be specified.)

FORM OF PRICING SUPPLEMENT

EXEMPT NOTES OF ANY DENOMINATION

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes, whatever the denomination of those Notes, issued under the Programme.

¹**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU ("**MiFID II**"); (ii) a customer within the meaning of Directive 2002/92/EC ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[MIFID II product governance / target market – *[appropriate target market legend to be included]*]

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC (AS AMENDED) FOR THE ISSUE OF NOTES DESCRIBED BELOW AND, ACCORDINGLY, THE UK LISTING AUTHORITY HAS NEITHER APPROVED NOR REVIEWED THE INFORMATION CONTAINED IN THIS PRICING SUPPLEMENT.

Pricing Supplement dated []



FIRSTRAND BANK

FIRSTRAND BANK LIMITED

(incorporated with limited liability in South Africa with Registration Number 1929/001225/06)

Issue of *[Aggregate Nominal Amount of Tranche]* *[Title of Notes]* (the "**Notes**")

under the U.S.\$1,500,000,000

Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Base Prospectus dated *[date]* [as supplemented by the supplement[s] dated *[date[s]]*] (the "**Base Prospectus**"). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. Copies of the Base Prospectus may be obtained from *[address]*.

¹ Legend to be included on front of the Pricing Supplement if the Notes potentially constitute "packaged" products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus [dated [*original date*] which are incorporated by reference in the Base Prospectus]¹.

[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination [must/may need to] be £100,000 or its equivalent in any other currency.]

- | | | |
|----|---|--|
| 1. | Issuer: | FirstRand Bank Limited |
| 2. | (i) Series Number: | [] |
| | (ii) Tranche Number: | [] |
| | [(iii) Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [<i>identify earlier Tranches</i>] on [the Issue Date/[]] |
| 3. | Specified Currency or Currencies: | [] |
| 4. | Aggregate Nominal Amount: | |
| | (i) Series: | [] |
| | (ii) Tranche: | [] |
| 5. | Issue Price: | [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [<i>insert date</i>] (<i>in the case of fungible issues only, if applicable</i>)]. |
| 6. | (i) Specified Denominations: | [] |
| | (ii) Calculation Amount: | [] |
| | | <i>(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)</i> |
| 7. | [(i)] Issue Date: | [] |
| | [(ii)] Interest Commencement Date: | [] |
| 8. | Maturity Date: | [Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year] |
| | | <i>(If the Maturity Date is less than one year from the Issue Date and either (a) the issue proceeds are</i> |

¹ Only include this language where it is a fungible issue and the original Tranche was issued under a Base Prospectus with a different date.

received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, (i) the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" or (ii) another applicable exemption from section 19 of the FSMA must be available.)

9. Interest Basis: [[] per cent. Fixed Rate [to (but excluding) the First Reset Date]]
 [[specify reference rate] +/-] [] per cent. Floating Rate]
 [Zero Coupon]
 [Reset Rate of Interest from (and including) the First Reset Date]
10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100] per cent. of their nominal amount
11. Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*] [Not Applicable]
12. Put/Call Options: [Investor Put]
 [Issuer Call]
13. (i) Status of the Notes: [Unsubordinated Notes] [Tier 2 Notes]
- (ii) [Date [Board] approval for issuance of Notes obtained: [] [and [], respectively]
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)
- (iii) Date of approval(s) of the Financial Surveillance Department of the South African Reserve Bank for issuance of Notes obtained: [*Required for each issue*]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. **Fixed Rate Note Provisions:** [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate(s) of Interest: [In respect of each Interest Period beginning prior to the First Reset Date,] [] per cent. per annum payable in arrear on each Interest Payment Date.
 [In respect of each Interest Period beginning on or after the First Reset Date, the relevant Reset Rate of Interest payable in arrear on each Interest Payment Date.]

- (ii) Interest Payment Date(s): [] in each year up to and including the Maturity Date.
- [There will be a [short/long] first interest period from, and including, the Interest Commencement Date to, but excluding, [] (the "[Short]/[Long] **First Coupon**").]
- [There will be a [short/long] final interest period from, and including, [] to, but excluding, the Maturity Date (the "[Short]/[Long] **Final Coupon**").]
- (iii) Fixed Coupon Amount(s): [In respect of each Interest Period beginning prior to the First Reset Date,] [] per Calculation Amount [other than in respect of the [Short]/[Long] [First]/[Final] Coupon (as to which see paragraph 14(iv) below)].
- [In respect of each Interest Period beginning on or after the First Reset Date, the amount(s) determined in accordance with Condition 7(e).]
- (iv) Broken Amount(s): [In respect of the [Short]/[Long] [First]/[Final] Coupon, [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []] [Not Applicable]
- (v) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (vi) Determination Dates: [[] in each year] [Not Applicable]
- (Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/ Actual (ICMA))*
- (vi) Reset Rate: [Applicable/Not Applicable]
- Initial Mid-Swap Rate: []
 - First Reset Date: []
 - Reset Margin: []
 - Swap Rate Screen Page: []
 - Relevant Centre: []
 - Reset Reference Rate: []
15. **Floating Rate Note Provisions:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Specified Period: []

(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable".)

(ii) Specified Interest Payment Dates: [], subject to adjustment in accordance with the Business Day Convention set out in (iv) below /, not subject to any adjustment, as the Business Day Convention in (iv) below is specified to be Not Applicable]

(Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable".)

(iii) First Interest Payment Date: [], subject to adjustment in accordance with the Business Day Convention set out in (iv) below /, not subject to any adjustment, as the Business Day Convention in (iv) below is specified to be Not Applicable]

(iv) Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention/ Preceding Business Day Convention] [Not Applicable]

(v) Additional Business Centre(s): [] [Not Applicable]

(vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ ISDA Determination]

(vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): [[Name] shall be the Calculation Agent]

(viii) Screen Rate Determination Reference Rate: [LIBOR / EURIBOR / specify other Reference Rate]

- Relevant Screen Page: [For example, Reuters LIBOR 01 / EURIBOR 01]

(ix) ISDA Determination:

- Floating Rate Option: []

- Designated Maturity: []

- Reset Date: []

(x) Linear Interpolation: [Not Applicable][Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for each long or short interest period)]

- (xi) Margin(s): [+/-] [] per cent. per annum
- (xii) Minimum Rate of Interest: [] per cent. per annum
- (xiii) Maximum Rate of Interest: [] per cent. per annum
- (xiv) Day Count Fraction: [Actual/365] [Actual/Actual (ISDA)]
[Actual/365 (Fixed)]
[Actual/360]
[30/360]
[30E/360] [Eurobond Basis]
[30E/360 (ISDA)]

16. **Zero Coupon Note Provisions:** [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Accrual Yield: [] per cent. per annum
- (ii) Reference Price: []
- (iii) Day Count Fraction in relation to early redemption: [Actual/Actual (ICMA)]
[Actual/365] [Actual/Actual (ISDA)]
[Actual/360]
[30/360]
[30E/360] [Eurobond Basis]

PROVISIONS RELATING TO REDEMPTION

17. **Call Option:** [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) (Call): [] per Calculation Amount / As set out in Condition 11(i)]
- (iii) If redeemable in part: [Applicable/Not Applicable]
 - (a) Minimum Redemption Amount: [] per Calculation Amount
 - (b) Maximum Redemption Amount: [] per Calculation Amount

18. **Put Option:** [Applicable/Not Applicable]

(If not applicable, delete the remaining subparagraphs of this paragraph)

- (i) Optional Redemption Date(s): []
- (ii) Optional Redemption Amount(s) (Put): [] per Calculation Amount / As set out in Condition 11(i)]

19. **Final Redemption Amount of each Note:** [] per Calculation Amount
20. **Early Redemption Amounts:**
- (i) Early Redemption Amount (Regulatory): [[] per Calculation Amount / Make Whole Redemption Amount / Not Applicable]
 - (a) Make Whole Margin: [[] / Not Applicable]
 - (b) Reference Bond: [CA Selected Bond / [] / Not Applicable]
 - (c) Quotation Time: [[5.00 p.m. [Brussels / London / [] time] / Not Applicable]
 - (ii) Early Redemption Amount (Tax Gross up): [[] per Calculation Amount / As set out in Condition 11(i)]
 - (iii) Early Redemption Amount (Tax Deductibility): [[] per Calculation Amount / Not Applicable]
21. Substitution and Variation for Tier 2 Notes: [Applicable/Not Applicable]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [] [Not Applicable]
- (Note that this item relates to the date and place of payment, and not interest period end dates, to which item 15(v) relates)*
23. Other final terms: [Not Applicable/give details]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement. [[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of FirstRand Bank Limited:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i) Listing and Admission to trading: [] [Not Applicable]

(ii) Estimate of total expenses related to admission to trading: []

(Where documenting a fungible issue need to indicate that original securities are already admitted to trading.)

2. RATINGS

Ratings: [Moody's: []]
[Moody's IS: []]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for the fees [of [*insert relevant fee disclosure*]] payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business]

4. Yield (*Fixed Rate Notes only*): []

5. OPERATIONAL INFORMATION

ISIN Code: []

Common Code: []

Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking S.A. and the relevant identification number(s): [] [Not Applicable]

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): []

6. DISTRIBUTION

Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

(If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products, "Applicable" should be specified.)

GENERAL INFORMATION

1. Authorisations

The establishment of the Programme was authorised by written resolutions of the Board of Directors of the Issuer passed on 22 May 2007. The update of the Programme was authorised by written resolutions of the Board of Directors of the Issuer passed on 13 October 2014. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

2. Significant/Material Change

Since 30 June 2017 there has been no material adverse change in the prospects of the Issuer or the Issuer and its Subsidiaries (taken as a whole). Since 31 December 2017 there has been no significant change in the financial or trading position of the Issuer or the Issuer and its Subsidiaries (taken as a whole).

3. Auditors

The audited non-consolidated financial statements of the Issuer for the years ended 30 June 2017 and 30 June 2016 have been audited without qualification by PricewaterhouseCoopers Inc. whose address is 2 Eglin Road, Sunninghill, Sandton 2157, South Africa and Deloitte & Touche whose address is Building 8, Deloitte Place, The Woodlands, Woodlands Drive, Woodmead, Sandton 2199, South Africa.

4. Approvals

Notes, the proceeds of which are intended to qualify as Tier 2 Capital, to be issued under the Programme are "debt instruments" as contemplated by section 79(1)(b) of the Banks Act. Accordingly, the Issuer requires the consent of the Registrar of Banks in accordance with section 79(1)(b) of the Banks Act and Regulation 38 of the Regulations Relating to Banks, for permission to issue Notes the proceeds of which are intended to qualify as Tier 2 Capital under the Programme. No authorisation is required from the Registrar of Banks to issue Unsubordinated Notes.

The Issuer will have to obtain the approval of the FSD for the issue of each Tranche of Notes under the Programme.

5. Documents on Display

Copies of the following documents may be inspected during normal business hours at the specified offices of the Fiscal Agent and from the registered office of the Issuer for 12 months from the date of this Base Prospectus:

- (a) the Certificate of Incorporation, Memorandum of Association and Articles of Association of the Issuer;
- (b) the audited non-consolidated financial statements of the Issuer for the years ended 30 June 2017 and 30 June 2016;
- (c) the audited consolidated financial statements of the Issuer for the years ended 30 June 2017 and 30 June 2016;
- (d) the unaudited and unreviewed condensed financial results of the Issuer for the six month period ended 31 December 2017;
- (e) the Agency Agreement;

- (f) the Deed of Covenant; and
- (g) the programme manual (which contains the forms of the Note Certificates in global and individual form) dated 6 April 2018 and signed for the purposes of identification by the Issuer and the Fiscal Agent.

6. Clearing of the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Notes of each Tranche will be specified in the relevant Final Terms or (in the case of Exempt Notes) Pricing Supplement. The relevant Final Terms or (in the case of Exempt Notes) Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

7. Use of Proceeds

The net proceeds of the issue of each Tranche of Notes will be applied by the Issuer for its general corporate purposes.

8. Post Issuance Information

The Issuer does not intend to provide any post-issuance information in relation to any Note issues.

9. Indicative Yield for Fixed Rate Notes

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the relevant Final Terms or (in the case of Exempt Notes) Pricing Supplement. The yield is calculated at the Issue Date of the Notes on the basis of the relevant Issue Price. The yield indicated will be calculated as the yield to maturity (or, in the case of Tier 2 Notes, to the first Optional Redemption Date (Call)) as at the Issue Date of the Notes and will not be an indication of future yield.

10. Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

REGISTERED OFFICE OF FIRSTRAND BANK LIMITED

4 Merchant Place
Corner of Fredman Drive and Rivonia Road
Sandton
2196
South Africa

ARRANGER

**Rand Merchant Bank, a division of
FirstRand Bank Limited (London Branch)**

Austin Friars House
2-6 Austin Friars
London EC2N 2HD
United Kingdom

DEALERS

BNP Paribas
10 Harewood Avenue
London NW1 6AA
United Kingdom

HSBC Bank plc
8 Canada Square
London E14 5HQ
United Kingdom

J.P. Morgan Securities plc
25 Bank Street
Canary Wharf
London E14 5JP
United Kingdom

Morgan Stanley & Co. International plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

**Rand Merchant Bank, a division of
FirstRand Bank Limited (London Branch)**

Austin Friars House
2-6 Austin Friars
London EC2N 2HD
United Kingdom

FISCAL AGENT

The Bank of New York Mellon, London Branch

One Canada Square
London E14 5AL
United Kingdom

REGISTRAR AND LUXEMBOURG PAYING AGENT

The Bank of New York Mellon SA/NV Luxembourg Branch

Vertigo Building - Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg
Luxembourg

LEGAL ADVISERS

To the Issuer as to English law:

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To the Dealers as to English law:

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To the Dealers as to South African law:

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2196
South Africa

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