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**Confirmation of Your Representation:** By accessing the Base Prospectus you are deemed to have agreed with Goldman Sachs International (the “**Arranger**” and, together with Rand Merchant Bank, Deutsche Bank, Standard Chartered Bank, Credit Suisse Securities (Europe) Limited and UBS Investment Bank, the “**Dealers**”) and African Bank Limited (the “**Issuer**”) that (i) you have understood and agree to the terms set out herein, (ii) you are not a U.S. person (within the meaning of Regulation S of the United States Securities Act 1933, as amended (the “**Securities Act**”)), and are not acting for the account or benefit of any U.S. person, and that the electronic mail address you have given to us is not located in the United States, its territories and possessions, (iii) you consent to delivery by electronic transmission, (iv) you will not transmit the Base Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Arranger and the Dealers, and (v) you acknowledge that you will make your own assessment regarding any legal, taxation or other economic considerations with respect to your decision to subscribe for or purchase any of the Notes.

You are reminded that the Base Prospectus has been delivered to you on the basis that you are a person into whose possession the Base Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Base Prospectus, electronically or otherwise, to any other person and in particular to any U.S. person or to any U.S. address. Failure to comply with this directive may result in a violation of the Securities Act or the applicable securities laws of other jurisdictions.

**Restrictions:** NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

ANY NOTES TO BE ISSUED HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED, SUBJECT TO CERTAIN EXCEPTIONS, IN THE UNITED STATES OR TO U.S. PERSONS.

THE BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. DISTRIBUTION OR REPRODUCTION OF THE BASE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED, AND WILL NOT BE ABLE, TO PURCHASE ANY OF THE SECURITIES DESCRIBED HEREIN.

Under no circumstances shall the Base Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The Base Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of the Base Prospectus is only being made to those persons falling within Article 19(5) or Article 49(2)(a) to (e) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or to other persons to whom this Base Prospectus may otherwise be distributed without contravention of sections 21 or 238 of the Financial Services and Markets Act 2000, or any person to whom it may otherwise lawfully be made. This communication is being directed only at persons having

professional experience in matters relating to investments and any investment or investment activity to which this communication relates will be engaged in only with such persons. No other person should rely on it.

The Base Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Arranger or the Dealers, any person who controls any of the Arranger or the Dealers, the Issuer, any director, officer, employee or agent of any of them, or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Base Prospectus distributed to you in electronic format and the hard copy version available to you on request from any of the Arranger or the Dealers.



## AFRICAN BANK LIMITED

(Registration number 1975/002526/06)  
(incorporated with limited liability in the Republic of South Africa)

**U.S.\$6,000,000,000**

### **Euro Medium Term Note Programme**

Under the Euro Medium Term Note Programme described in this Base Prospectus (the “**Programme**”), African Bank Limited (registration number 1975/002526/06) (“**African Bank**”, the “**Bank**” or the “**Issuer**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue medium term notes (the “**Notes**”, which expression shall include Senior Notes and Subordinated Notes (including any Subordinated Notes which are intended to qualify, as Tier 2 Capital under the South African Banks Act, 1990 (as amended) (the “**Banks Act**”) and the “Regulations Relating to Banks” promulgated under section 90 of the Banks Act which implements Basel III in South Africa (the “**Regulations Relating to Banks**”, and together with the Banks Act, the “**Capital Regulations**”) (the “**Tier 2 Notes**”)). The aggregate principal amount of Notes outstanding will not at any time exceed U.S.\$6,000,000,000 (or its equivalent in other currencies).

This Base Prospectus has been approved by the Financial Conduct Authority (the “**FCA**”) in its capacity as competent authority for the purposes of the Prospectus Directive (as defined herein) and relevant implementing measures in the United Kingdom (the “**UK Listing Authority**”) as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purposes of giving information with regard to the issue of the Notes described in this Base Prospectus for the period of 12 months from the date of this Base Prospectus. Application has been made for such Notes to be admitted to the official list (the “**Official List**”) of the FCA and to the London Stock Exchange plc (the “**London Stock Exchange**”) and for such Notes to be admitted to trading on the London Stock Exchange’s regulated market (the “**Market**”). References in this Base Prospectus to Notes being “listed” (and all related references) shall mean that such Notes have been admitted to the Official List and have been admitted to trading on the Market. The Market is a regulated market for the purposes of Directive 2004/39/EC on markets in financial instruments (the “**Markets in Financial Instruments Directive**”). The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by a competent authority, stock exchange and/or quotation system or that they will 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. The relevant final terms (the “**Final Terms**”) in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Official List and admitted to trading on the Market (or any other stock exchange or quotation system). Notes may also be issued that are not traded on any exchange.

References in this Base Prospectus to “**PD Exempt Instruments**” are to instruments for which no prospectus is required to be published under the Prospectus Directive (as defined herein). For the purposes of any PD Exempt Instruments issued pursuant to this Programme, this document does not constitute a base prospectus within the meaning of Article 2.1 of the Prospectus Directive and will not constitute listing particulars. Information contained in this Base Prospectus regarding PD Exempt Instruments and any pricing supplement documents relating thereto shall not be deemed to form part of this Base Prospectus and the UK Listing Authority has neither approved nor reviewed information contained in this Base Prospectus in connection with the offering and sale of PD Exempt Instruments or in the related pricing supplement documents to which the PD Exempt Instruments are subject.

Investing in the Notes involves substantial risks. Prospective investors should have regard to the risks described under “**Risk Factors**” in this Base Prospectus.

The Notes of each tranche (each, a “**Tranche**”) issued in bearer form (“**Bearer Notes**”) will initially be represented by a temporary global note in bearer form, without interest coupons (each a “**Temporary Global Note**”), and will be sold in “offshore transactions” within the meaning of Regulation S (“**Regulation S**”) under the United States Securities Act 1933, as amended (the “**Securities Act**”). Interests in Temporary Global Notes will be exchangeable for interests in permanent global notes (each a “**Permanent Global Note**” and, together with the Temporary Global Notes, the “**Global Notes**”), or if so stated in the relevant Final Terms, definitive Notes (the “**Definitive Notes**”), after the date falling 40 days after the completion of the distribution of the relevant Tranche of Notes upon certification as to non-U.S. beneficial ownership. Interests in Permanent Global Notes will be exchangeable for Definitive Notes in whole but not in part in the limited circumstances described under “*Summary of Provisions Relating to the Notes While in Global Form*”. Global Notes may be deposited on the issue date with a common depository (the “**Common Depository**”) on behalf of Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”) or such other clearing systems as shall be agreed between the Issuer and the relevant Dealers (as defined herein).

Bearer Notes are subject to U.S. tax law requirements. The Notes of each Tranche issued in registered form (“**Registered Notes**”) will be sold in “offshore transactions” within the meaning of Regulation S and will be represented by registered certificates (each a “**Certificate**”, one Certificate being issued in respect of each Noteholder’s entire holding of Registered Notes of one Tranche) and may be represented by a permanent registered global certificate (each, a “**Global Certificate**”) without interest coupons and Certificates may, and Global Certificates will, be deposited on the relevant issue date either with (a) in the case of a Series intended to be cleared through Euroclear and/or Clearstream, Luxembourg, a Common Depository or (b) in the case of a Series intended to be cleared through a clearing system other than, or in addition to, Euroclear and/or Clearstream, Luxembourg, or delivered outside a clearing system, as agreed between the Issuer and the relevant Dealers, such other clearing system as shall be agreed between the Issuer and the relevant Dealers (as defined herein).

The provisions governing the exchange of interests in the Global Certificates for individual Certificates in certain limited circumstances are described in “*Summary of Provisions relating to the Notes while in Global Form*”.

In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area (the “**EEA**”) or offered to the public in a Member State of the EEA in circumstances which require the publication of a Prospectus under the Prospectus Directive, the minimum specified denomination (each a “**Specified Denomination**”) shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

In the case of any Notes offered to prospective investors in the Republic of South Africa (“**South Africa**”), other than investors contemplated in section 96(1)(a) of the SA Companies Act (as defined below), the Specified Denomination shall not be less than R1,000,000 (or its equivalent in any other currency as at the date of the issue of the relevant Notes) or such higher amount as may be prescribed from time to time in accordance with the procedures of the South African Companies Act 2008, as amended (the “**SA Companies Act**”).

Residents of South Africa and their off-shore subsidiaries are restricted from subscribing for or purchasing Notes. For further details on these restrictions, see “*Exchange Controls*”.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, subject to certain exceptions, may not be offered, sold, pledged or otherwise transferred in the United States or to U.S. persons. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Base Prospectus, see “*Subscription and Sale*”.

As described further in this Base Prospectus, the prior written approval of the Financial Surveillance Department (“**FinSurv**”) of the South African Reserve Bank (the “**SARB**”) is required for the issue of Notes issued under this Programme. In addition, in respect of an issue of Tier 2 Notes, the prior approval of

the Registrar of Banks in South Africa (the “**Registrar of Banks**”) is required. The approval of the Registrar of Banks is not required for the issue of Senior Notes.

Tranches of Notes to be issued under the Programme may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme. A security 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.

Where Notes to be issued under the Programme are to be rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not each credit rating applied for in relation to a relevant Tranche will be issued by Moody's Investors Service, Inc. (“**Moody's**”) will be disclosed in the Final Terms. Moody's is not established in the European Union and has not applied for registration under the Regulation (EC) No. 1060/2009 (the “**CRA Regulation**”).

*Arranger*

**Goldman Sachs International**

*Dealers*

**Goldman Sachs International**

**Rand Merchant Bank**

**Deutsche Bank AG, London Branch**

**Standard Chartered Bank**

**Credit Suisse Securities (Europe) Limited**

**UBS Investment Bank**

The date of this Base Prospectus is 21 January 2014

This Base Prospectus comprises a base prospectus for the purposes of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and its subsidiaries (if any) (the “**Group**”) and the Notes which, according to the particular nature of the Issuer and of the Notes, 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 Group.

The Issuer accepts responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus should be read and construed with any amendment or supplement hereto and with any other documents incorporated herein by reference (see “*Documents Incorporated by Reference*” below). Further, in relation to any Series of Notes, this Base Prospectus should be read and construed together with the relevant Final Terms.

No person has been authorised to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger or any Dealer (each as defined in “*Key Features of the Programme*”).

Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale, or delivery of any Note shall, under any circumstances, create any implication that the information contained in this Base Prospectus is accurate subsequent to the date hereof or that there has been no change in the affairs of the Issuer or the Group since 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 in the financial position of the Issuer or the Group since the date hereof or 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 as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale or delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer, the Arranger and the Dealers to inform themselves about and to observe any such restriction. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Base Prospectus and any Final Terms and other offering material relating to the Notes, see “*Subscription and Sale*”. In particular, the Notes have not been and will not be registered under the Securities Act and Bearer Notes are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered or sold or, in the case of Bearer Notes, delivered within the United States or to U.S. persons. Notes may be offered and sold outside the United States in reliance on Regulation S.

This Base Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Arranger or the Dealers to subscribe for, or purchase, any Notes. The Arranger and the Dealers have not separately verified the information contained herein. None of the Arranger or the Dealers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Base Prospectus. Neither this Base Prospectus nor any Final Terms nor any financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers that any recipient of this Base Prospectus or any Final Terms or any financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and any Final Terms and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arranger or the Dealers undertakes to review the financial condition or affairs of the Issuer during the life of the arrangements contemplated by this Base Prospectus and any Final Terms nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Arranger or the Dealers.

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (the “Stabilising Manager(s)”) (or persons acting on behalf of any Stabilising Manager(s)) in the relevant Final Terms 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, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager(s)) will undertake stabilisation action. 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 be ended 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 Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.**

**This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States in compliance with Regulation S under the Securities Act and the admission of the Notes to the Official List and to trading on the Market. The Issuer, the Arranger and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States or to any U.S. person. Distribution of this Base Prospectus by any non-U.S. person outside the United States or to any other person within the United States, other than those persons, if any, retained to advise such non-U.S. person, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than those persons, if any, retained to advise such non-U.S. person is prohibited.**

The Notes may not be a suitable investment for all investors. 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 relevant Notes, the merits and risks of investing in the relevant 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 relevant Notes and the impact such 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 relevant Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the Investor's Currency (as defined below);
- understand thoroughly the terms of the relevant 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 and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, 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 the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

### NOTICE TO SOUTH AFRICAN INVESTORS

The Notes may not be and, accordingly, are not being offered or sold to the public in South Africa. Accordingly, any offer of Notes will not be an “offer to the public” as defined in section 95(h) of the SA Companies Act and this Base Prospectus does not, nor is it intended to, constitute a prospectus prepared and registered under the SA Companies Act. Further, in the case of any Notes offered to prospective investors in South Africa, other than investors contemplated in section 96(1)(a) of the SA Companies Act, the Specified Denomination shall not be less than R1,000,000 (or its equivalent in any other currency as at the date of the issue of the relevant Notes) or such higher amount as may be prescribed from time to time in accordance with the requirements of the SA Companies Act. Residents of South Africa and their off-shore subsidiaries are restricted from subscribing for or purchasing Notes. For further details on these restrictions, see “*Exchange Controls*”.

### NOTICE TO UK INVESTORS

This Base Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (iii) persons falling within Article 49(2)(a) to (d) (“**high net worth companies, unincorporated associations, etc.**”) of the Order (all such persons together being referred to as “**relevant persons**”). The Notes are only available to, and any invitation, offer or agreement to subscribe for, purchase or otherwise acquire such Notes will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this Base Prospectus or any of its contents.

### NOTICE TO EEA INVESTORS

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Notes in any Member State of the EEA 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 which are the subject of an offering contemplated in this Base Prospectus as completed by the Final Terms in relation to the offer of those Notes may only do so (i) 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, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer has 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. Unless otherwise specified, references in this Base Prospectus to the “**Prospectus Directive**” refer to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive) and all references to the 2010 PD Amending Directive refer to Directive 2010/73/EU provided, however, that all references in this Base Prospectus to the “Prospectus Directive” in relation to the relevant Member State refer to Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State), and include any relevant implementing measure in the Relevant Member State.



## **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents which have previously been published and have been approved by the FCA (or its predecessor, the Financial Services Authority) or filed with it, shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

- 1) the annual report and audited annual financial statements of the Issuer for the financial year ended 30 September 2012 and the annual report and audited annual financial statements of the Issuer for the financial year ended 30 September 2013; and
- 2) the section entitled “Terms and Conditions of the Notes” on pages 70 to 93 of the Base Prospectus dated 2 July 2010 relating to the African Bank U.S.\$1,000,000,000 EMTN Programme;
- 3) the section entitled “Terms and Conditions of the Notes” on pages 60 to 85 of the Base Prospectus dated 20 January 2012 relating to the African Bank U.S.\$2,000,000,000 EMTN Programme; and
- 4) the section entitled “Terms and Conditions of the Notes” on pages 67 to 94 of the Base Prospectus dated 22 January 2013 relating to the African Bank U.S.\$2,000,000,000 EMTN Programme,

save that any statement contained in this Base Prospectus or in any of the documents incorporated by reference in, and forming part of, this Base Prospectus shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Base Prospectus. Any documents and/or information themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of the Base Prospectus. Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

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## RISK FACTORS

*An investment in the Notes involves a high degree of risk. Prospective investors should carefully read and review this entire Base Prospectus and in particular should consider all the risks inherent in making such an investment, including the risk factors set out below, before making a decision to invest. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes that could have a significant or material adverse effect on its business, results of operations, financial condition and prospects and/or the repayment of principal and interest under the Notes to the Noteholders.*

*Words and expressions defined in the terms and conditions of the Notes (the “Conditions”) or elsewhere in this Base Prospectus have the same meanings in this section. This Base Prospectus contains forward-looking statements that involve, risks and uncertainties. The Issuer's actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including but not limited to the risks described below and elsewhere in this Base Prospectus. See “Cautionary Note Regarding Forward-Looking Statements”.*

### **Risks Relating to South Africa**

***Recent volatility in the international capital markets and the global economy could have an adverse effect on the South African economy as a whole and the Issuer's business, financial condition and results of operations***

The financial services industry generally prospers in conditions of economic growth, stable geopolitical conditions, and capital markets that are transparent, liquid and buoyant and which feature positive investor sentiment. The Issuer is affected by general economic and financial market conditions in South Africa, which can cause its business, financial condition and results of operations to fluctuate in the short-term as well as on a long-term basis.

In recent years, there has been significant volatility in the financial markets around the world, resulting in generally more difficult earning conditions for the financial sector. This volatility has also resulted in the failure of a number of financial institutions in the United States and Europe and precipitated unprecedented actions by governments and central banks around the world. Economic conditions continue to show the effect of the 2008 global economic crisis and the European sovereign debt crisis continues to impact investor sentiment. A significant decline in the economic growth of any of South Africa's major trading partners, such as its largest export market, the European Union, could have an adverse impact on South Africa's balance of trade and adversely affect South Africa's economic growth. A renewed decline in demand for imports from the European Union in particular could have an adverse effect on South African exports and its economic growth. Further, continued turbulence in the global economy could adversely impact South Africa's economy, leading to a reduction in per capita income and consumer spending. In addition to risks stemming from the European Union, a rapid slowdown in the growth of the Chinese gross domestic product, or a renewed contraction in the economy of the United States could negatively impact South Africa's economic outlook. These negative effects could feed through to the South African economy through trade and financial linkages, declining commodity prices, as well as deterioration in global risk appetite which may see significant capital outflows from emerging countries.

The Issuer's customers are particularly impacted by macro-economic factors affecting employment, increasing living expenses and household expenditure or reducing disposable income as well as general gross domestic product (“GDP”) growth in South Africa. If the rate of economic growth slows down or other macro-economic factors do not perform as expected, the Issuer's customers could be impacted, in turn causing them to reduce their demand for the Issuer's products and services, or fail to meet existing loan commitments. Growth in inflation, particularly increases in fuel, energy and food prices would also have a detrimental effect on customers' levels of disposable income. Increases in unemployment and retrenchments will similarly affect customers and could increase delinquency levels. The Issuer's target market of lower and middle income customers generally has less capacity to deal with financial emergencies and reductions in disposable income than higher income groups.

Further, although the Exchange Control Regulations, 1961 promulgated pursuant to the Currency and Exchanges Act, 1933 (as amended) (the “**Exchange Control Regulations**”) and the general regulations of the South African financial sector have largely shielded South African banks from direct exposure to the global and economic financial crisis, the uncertainty of South African and global growth prospects, together with potential changes to the global regulatory environment for banks, may impact the international interbank and capital markets. This could result in reduced liquidity and an increase in the cost of funding for banks.

For any of the above reasons conditions in international capital markets and the global economy may have a material adverse effect on the South African economy as a whole and the Issuer’s business, financial condition and results of operations.

***The Issuer’s business is exposed to the risk of political, social and economic instability in South Africa***

The Issuer’s business is almost exclusively focused on the South African markets and therefore faces a geographic concentration risk. South Africa is generally considered to be a developing economy. Investors in developing economies such as South Africa should be aware that these markets are subject to greater risk than more developed markets. These risks include economic instability as well as, in some cases, significant legal, political and social risks, including the following:

- general economic and business conditions;
- high interest rates;
- changes in exchange rates;
- high levels of inflation;
- labour unrest, strikes and civil protests;
- exchange controls;
- wage and price controls;
- foreign currency reserves;
- changes in economic or tax policies;
- the imposition of trade barriers;
- health issues and incidences of disease, including HIV/AIDS;
- poverty, crime and social inequality;
- negative economic or financial developments in other emerging market countries;
- changes in investor confidence; and
- perceived or actual security issues and political changes.

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

Additionally, inequality in wealth distribution remains one of the largest potential destabilising factors in South Africa, as it has a consequential potential manifestation in political instability such as labour unrest, strike and civil protests, which could have an impact on the Issuer’s customer base and certain of its service providers. According to Statistics South Africa, the unemployment rate at 25.6 per cent. (as at 30 June

2013) remains one of the biggest challenges to economic growth in South Africa and causes a threat to social and political stability in the country despite extensive social protection measures set in place by the South African Government (the “**Government**”).

Any adverse changes affecting the South African economy or increases in political instability could have a material adverse effect on the Issuer’s business, financial condition and results of operations.

***South African Exchange Control Regulations expose the Issuer to domestic funding concentration risk and also limits capital flows to and from South Africa***

The Exchange Control Regulations restrict the export of capital from South Africa without the approval of FinSurv. The Exchange Control Regulations limit the extent to which the Issuer can borrow funds from non-South African sources for use in South Africa. This has led to the Issuer, along with other banks in South Africa, being reliant on debt funding from South African corporates, particularly by local South African fund managers (that are the largest depositors and funders in the South African banking market). The major portion of the Issuer’s domestic funding is currently raised from fund managers in South Africa. However, legislation in South Africa restricts the exposure that such fund managers may have to an individual bank. The restrictions imposed by the Exchange Control Regulations also limit individuals and corporates from making deposits outside South Africa. Relaxation or immediate elimination of current 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 Rand-denominated capital outflows, this could adversely affect South Africa's economy through possible depreciation of the Rand or an increase in interest rates (as South Africa has a fully floating exchange rate and a flexible interest rate policy), which could in turn have a material adverse effect on the Issuer’s business, financial condition and results of operations.

***The Issuer operates in a highly regulated environment which is subject to change***

The Issuer is subject to regulatory supervision by, among others: (i) the Registrar of Banks, which oversees activities falling within the ambit of the Banks Act and the Regulations Relating to Banks, (ii) the Financial Services Board of South Africa (the “**FSB**”), which is responsible for overseeing activities which fall within the ambit of the Financial Advisory and Intermediary Services Act 2002 (as amended) (the “**FAIS Act**”), and (iii) the National Credit Regulator (“**NCR**”), who is responsible for overseeing activities which fall within the ambit of the National Credit Act 2005 (as amended) (the “**NCA**”). Consequently, the Issuer is subject to on-going regulation and the associated regulatory risks including the effects of changes in laws, regulations, policies and interpretations.

The Issuer is continually assessing the impacts of legal and regulatory developments which could have an effect on the Issuer, and participates in relevant consultation and collaboration processes undertaken by the various regulatory and other bodies. Implementation of regulatory developments could result in additional costs or limit or restrict the way that the Issuer conducts business, which could have a material adverse effect on the Issuer’s business, financial condition and results of operations.

Areas where regulatory changes could have a material adverse effect on the Issuer include, but are not limited to, the following:

***The Banks Act and the Regulations Relating to Banks***

The Issuer is required to maintain minimum levels of capital as set out in the Banks Act and the Regulations Relating to Banks. Any failure to maintain the required minimum capital ratios may result in sanctions against the Issuer, which may in turn impact the Issuer’s ability to conduct its business or achieve growth. Moreover, the maintenance of adequate capital and liquidity is also necessary to afford the Issuer financial flexibility in dealing with any turbulence and uncertainty in the global and domestic economies.

The Basel III proposals, which were agreed by the Governors and Heads of the Basel Committee on Banking Supervision (“**BCBS**”), and endorsed by the G20 leaders at their November 2010 Seoul summit, have been adopted in South Africa, and were implemented from 1 January 2013, with various phases and

transitional arrangements to be implemented through to 31 December 2018. For a more detailed discussion of the impact of Basel III, see “*Description of African Bank Limited - Risk Management- Basel III*”. The SARB is engaged with the banking industry in respect of the domestic application of elements of Basel III where the regulators are entitled to exercise national discretion. The SARB is expected to provide regulations or guidance on certain aspects of Basel III which are yet to be implemented. As such, future regulatory reforms, including for example, increases in the regulatory minimum capital or liquidity requirements, and the full implementation of the minimum standards for funding liquidity in South Africa, pursuant to Basel III, could have a material adverse effect on the Issuer’s business, financial condition and results of operations.

#### *Limit on credit life premiums charged by insurance companies*

The NCR, the FSB and the department of the National Treasury which falls under the portfolio managed by the Minister of Finance of South Africa (the “**National Treasury**”) are in the process of reviewing the business practices of insurance companies and the pricing of consumer credit life insurance. The regulators are currently focussed on ensuring that credit life insurance continues to be provided at a reasonable cost and to that end, are considering various options to prevent the current abuse by some insurers working in conjunction with credit providers. One of the options being considered is the imposition of a limit on the credit life premium that may be charged by insurance companies.

While African Bank has engaged with the regulators regarding the negative impact such a policy may have on the benefits currently being provided to customers under credit life insurance policies, the outcome of any such legislative changes cannot be predicted. If the maximum premium on credit life insurance is legislated to a level which leads to insurers restricting their insurance benefits when an insured event occurs, this may lead to more of African Bank’s customers’ repayments on loans not being covered by insurance when an insured event occurs, which may lead to higher credit losses for African Bank. In addition, African Bank may also need to collect on the outstanding delinquent debt obligations from the customers directly, rather than recovering from insurance companies. Any such outcome may have a material adverse affect on African Bank’s business, financial condition and results of operations.

#### *Changes to the FSB Licence requirements*

The Issuer is a licensed financial services provider (an “**FSP**”) and is authorised to carry on business in respect of financial advisory services and financial intermediary services and has appointed key individuals in terms of the FAIS Act. A key individual is a natural person who is responsible for managing or overseeing the activities of an authorised FSP or a representative. A representative is a person who renders a financial service to a client for or on behalf of an FSP, in terms of conditions of employment or any other mandatory agreement but excludes a person rendering clerical, technical, administrative, legal, accounting or other service in a subsidiary or subordinate capacity, which service does not require judgement on the part of the latter person or does not lead a client to any specific transaction in respect of a financial product in response to general enquiries. A representative could be a natural person, partnership, trust, an organ of state, a company or any body of persons corporate or unincorporated

The Issuer’s branch personnel do not provide advice and only render intermediary services. The engagement between a customer and a sales consultant does not involve the giving of advice, instead the engagement is restricted to the exchange of factual information relating to a financial product (credit life insurance products, funeral policies and product insurance). The Issuer does not have representatives in its branches but in the event that a customer requires advice, such customer is referred to an insurance advice call centre that is staffed by registered representatives who have the appropriate qualification to give such advice. This approach complies with the current South African legislative and regulatory regime.

Over the last few years, the FSB and the National Treasury have been reviewing the differential nature of insurance products and the need to distinguish between the level of qualifications required by persons who sell simpler financial products from the qualifications required by persons who sell more complex financial products.

On 26 June 2013, the National Treasury published the Insurance Laws Amendment Bill, 2013 for public comment and, on 5 August 2013, the FSB published Proposed Amendments of Fit and Proper Requirements and Accompanying Measures for comment (in respect of the FAIS Act). If these proposals become law, the effect will be that, should the Issuer provide financial advisory services and financial intermediary services in respect of insurance products which fall within the new regulatory-defined categories of insurance products, it will need to apply to the FSB to have its FSP licence amended. In addition, branch personnel involved in the selling of insurance products may need to undergo extensive training and complete the prescribed qualifications requirements in order to comply with such new regulatory requirements.

Should the Issuer not meet the relevant FSB licence requirements or should its branch personnel not meet the new FAIS representative qualification requirements, this may prevent the Issuer from providing certain products and services, and as such, may have a material adverse impact on the Issuer's business, financial condition and results of operations.

#### *The National Credit Act and unsecured lending*

Credit lending in South Africa is highly regulated through the NCA. The NCA requires credit providers to perform a thorough assessment of the ability of prospective customers to repay any credit they may be granted. It also limits the interest rates and fees and other amounts that can be charged for credit transactions. There is an ongoing political debate in South Africa with regard to the maximum rate of interest that should be charged for unsecured lending transactions.

The NCA is currently undergoing a review process, with proposed draft amendments having been made available for comment on 29 May 2013. The Department of Trade and Industry (the “**DTI**”) has indicated that in its view it is prudent to ensure that fixed rates under credit agreements fall within a maximum prescribed rate under the NCA at all times and has requested public comment on this matter. If the prescribed rate is reduced to a level lower than the contractually agreed rate of interest on any loan, the effect of such legislation would be to require the reduction in the previously agreed contractual rate of interest during the term of a loan from the implementation date of such legislation. Any reduction in the rate of interest on loans granted by the Issuer could cause a loss in revenue for the Issuer and consequently have a material adverse impact on the Issuer's business, financial condition and results of operations.

#### *The Proposed Financial Transactions Tax*

The European Commission has published a proposal for a Directive for a common Financial Transaction Tax (“**FTT**”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**Participating Member States**”).

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under current proposals 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 dealing is issued in a Participating Member State.

The FTT proposal remains subject to negotiation between the Participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States of the EEA may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

***Uncertainties relating to the interpretation of certain regulations could adversely affect the Issuer***

The implementation and particularly, interpretation of regulations by courts is subject to a number of uncertainties. Hence, the outcome of any such legislative changes or its interpretation by the courts in South Africa is not predictable.

For example, the Electronic Communications and Transactions Act, 2002 (as amended) (the “**ECT Act**”) in South Africa regulates, amongst others, transactions communications or agreements conducted electronically in order to ensure, for the purposes of legal certainty, that such transactions, agreements and communications via electronic methods in South Africa conform to the highest international standards. The ECT Act recognises the entering into of communications, transactions or agreements in electronic form as legally equivalent to the conclusion of such communications, transactions or agreements in written paper form.

Insofar as the Issuer relies on the provisions of the ECT Act to govern electronic communications, transactions and agreements with its customers, there is a risk that should any such communications, transactions or agreements be examined by the South African courts (particularly the lower courts), such courts may apply or interpret standards or requirements under the ECT Act differently from the interpretation of the Issuer. Accordingly, there is a risk that any such communications, transactions or agreements could be held to be invalid, non-compliant or in breach of the ECT Act, which could expose the Issuer to the risk of regulatory proceedings and private litigations, arising out of regulatory investigations or otherwise (brought by individuals or groups of plaintiffs), which may also require costly and lengthy appeal court proceedings, and which could have a material adverse effect on the Issuer’s business, reputation, financial condition and results of operations.

***Increased competition in the unsecured lending market could adversely affect the Issuer***

According to the BA 900 data published by the SARB, as at 30 September 2013, the Issuer had a 30.8 per cent. share of South Africa’s unsecured “bank provided” personal loans market and a 9.9 per cent. share of South Africa’s credit card market. The implementation of the NCA in 2007 formalised the unsecured lending market in South Africa and as a result brought about significant changes to this market. It opened the doors for South African banks to enter the unsecured segment of the market, resulting in a dramatic increase in competition in this market over the past six years.

The Issuer faces significant competition from banks that provide unsecured lending, such as Capitec Bank Holdings Limited, as well as competition from large, traditional banks such as ABSA Bank Limited, FirstRand Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited, many of which have greater financial and other resources than the Issuer. In addition, there are major non-bank credit providers that compete in the unsecured lending market with brands and products that are similar to the Issuer’s product offerings. These competing organisations compete for substantially the same customers as the Issuer.

Any increase in competition may reduce the Issuer’s market share. Increases in the cost of customer acquisition and retention, reductions in the volume of credit issued, decreases in the pricing of credit, and/or difficulty in recruiting and retaining high calibre staff, could have a material adverse effect on the Issuer’s business, financial condition and results of operations.

***Adverse capital and lending market conditions could adversely affect the Issuer***

Liquidity risk is inherent in much of the Issuer’s business. Liquidity risk can arise due to reduced access to funding sources, including the lending markets, which could be attributed to market conditions generally or the perception of the Issuer in the credit markets. The Issuer’s wholesale funding preference is for fixed term instruments of maturities ranging from three to sixty months. The Issuer, to a greater degree than other banking groups in South Africa, is reliant on wholesale funding as opposed to retail deposits, given that the Issuer does not conduct itself as a retail bank. The Issuer’s ability to access wholesale funding sources on favourable economic terms is dependent on a variety of factors, including a number of factors outside its



control, such as liquidity constraints applicable across the economy on a systemic basis, general market conditions and confidence in the South African banking system as a whole.

Recent conditions in the global capital and credit markets and, to a lesser extent, the impact of such conditions within South Africa has led to changes in the funding and liquidity environment and has had an impact on the global economy. Individual institutions have faced varying degrees of stress. Further, the capital markets in South Africa are less mature than other, more developed markets and less liquid as trading volumes are typically lower with fewer numbers of investors, resulting in greater volatility than developed markets. Therefore, there can be no assurance that the Issuer will be successful in obtaining additional sources of funds on acceptable terms or at all.

If the Issuer's traditional funding sources are unavailable, it would be required to utilise other, possibly more expensive sources to meet its funding needs. The availability of funding depends on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, the Issuer's credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of the Issuer's short-term and long-term financial prospects. Limitations on the Issuer's funding sources could have an adverse impact on its business, financial condition and results of operations. Further, a deterioration of financial market conditions, may in turn result in an adverse effect on the Issuer's ability to raise funding or a significant increase in the Issuer's cost of funding, which may have a material adverse effect on the Issuer's business, financial condition and results of operations.

***Developments and the perception of risk in other emerging market countries may adversely affect the Issuer's access to financing and the market price of the Issuer's securities***

The market value of securities of South African issuers is affected by economic and market conditions in other countries, including other emerging market countries. Although economic conditions in those countries may differ significantly from economic conditions in South Africa, investors' reactions to developments in these other countries may have an adverse effect on the market value of securities of South African issuers. Crises in other emerging market countries may diminish investor interest in securities of South African issuers, including the securities of the Issuer. This could adversely affect the market price of the Issuer's securities, restrict the Issuer's access to the capital markets and compromise the Issuer's ability to finance its operations in the future on favourable terms, or at all, each of which would have a material adverse effect on the Issuer's business, financial condition and results of operations.

***HIV/AIDS poses risks to African Bank in terms of lost productivity and increased costs***

Statistics South Africa has estimated that during 2013 approximately 5.3 million or 10 per cent. of the South African population was living with HIV. The socio-economic impact of this pandemic on South Africa is and will continue to be significant. The incidence of HIV/AIDS in South Africa will likely lead to increasing absenteeism, increasing deaths from AIDS-related illnesses, increasing medical and other costs and decreasing productivity. It may also contribute to other human resources challenges, such as difficulty in recruiting and retaining employees. The potential impact of HIV/AIDS on the Issuer's operations and financial condition will be determined by a variety of factors, including the cost and effectiveness of the voluntary testing and treatment programme deployed by the Issuer for the benefit of its employees, the incidence of HIV infection amongst the Issuer's employees, the progressive impact of HIV/AIDS on infected employees' health and productivity and the medical and other costs associated with infection. In 2011, the Issuer undertook a voluntary testing programme in which 86 per cent. of its staff participated. Of the staff tested, 13 per cent. tested positive for HIV/AIDS. Notwithstanding the fact that the Issuer has rolled out an HIV treatment programme, and the incidence rate of new infections are decreasing year on year, it is not possible to determine with certainty the Issuer's costs of managing HIV/AIDS or the impact that HIV/AIDS may have on the Issuer in general. The incidence of HIV/AIDS amongst the Issuer's workforce is beyond its control and a significant increase in such incidences could adversely impact its business, results of operations, financial condition and prospects.

***Terrorist acts and other acts of war could have a negative impact on the business***

Terrorist acts, and other acts of war or hostility and responses to those acts, may create economic and political uncertainties, which could have a negative impact on the business and results of operations of the Issuer in ways that cannot be predicted. If the Issuer is unable or fails to effectively manage these risks, such acts or events could have a material adverse effect on the Issuer's business, financial condition and results of operations.

**Risks Related to the Issuer's Business**

***The Issuer is exposed to a variety of commercial and market risks and its risk management policies and procedures may fail to adequately manage those risks***

The Issuer is exposed to commercial and market risks in its ordinary course of business, the most significant of which are geographic concentration risk, credit risk, liquidity risk and operational risk. The Issuer has devoted significant resources to developing its risk management policies and procedures, particularly in connection with credit, liquidity and operational risks, and expects to continue to do so in the future. Nonetheless, the Issuer's 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 an 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 or otherwise to identify and address these commercial and market risks may have an adverse effect on the Issuer's business, financial conditions and results of operations.

***The Issuer's net impairment charges may increase as a result of a deterioration in the credit quality of its customers or a growth in the Issuer's loan portfolio***

The Issuer's business is subject to inherent risks regarding borrower credit quality and the recoverability of loans and amounts due from counterparties. Consequently, changes in the credit quality of the Issuer's customers arising from economic conditions or otherwise could reduce the value of the Issuer's assets, and require increased provisions for bad and doubtful debts. In particular, the Issuer's results of operations have been and will continue to be affected by the level of impairment charges. In addition, the Issuer provides unsecured lending and focuses on providing loans and other products to lower and middle income customers and, accordingly, its loan portfolio displays a higher proportion of impaired loans when compared to other large South African banks whose loan books are primarily composed of secured lending and loans to a broader spectrum of customers. As the Issuer has grown and further seeks to grow its loan book, net impairment charges have grown, and are likely to continue to grow, as a percentage of gross loans. Moreover, weakness in South Africa's economy and increasing unemployment has historically had, and will likely in the future have, an adverse effect on the credit quality of Issuer's loan portfolio and cause loan impairment charges and loan losses to increase. These risks could have a material adverse effect on the Issuer's business, financial condition and results of operations. The Issuer has established credit quality management policies and actively monitors credit exposure on an on-going basis to mitigate such risks. See "Description of African Bank Limited - Risk Management" below.

***The Issuer relies to a significant degree on wholesale funding and any loss of reputation or investor confidence could make it difficult for the Issuer to access additional sources of funds on acceptable terms or at all***

The Issuer, to a greater degree than other large banks in South Africa, is reliant on wholesale funding as opposed to retail deposits, given that the Issuer does not conduct itself as a retail bank. The Issuer expects wholesale funding to remain a significant element of its funding strategy. In the event that the cost of

wholesale funding increases, it may affect the Issuer's cost of funds and profit, while a lack of availability of such funding could materially adversely affect the Issuer's future growth and funding.

In addition, a critical loss of confidence in the Issuer's banking business or in banking businesses in South Africa more generally, could significantly impact the availability or terms on which the Issuer can obtain wholesale funding. This could result in a liquidity shortage which would have a material adverse effect on the Issuer's business, financial condition and results of operations.

Furthermore, any deterioration in the capital markets' perception of the Issuer's financial resilience, including its ability to maintain adequate capital adequacy ratios, could significantly increase its borrowing costs and limit its capacity to raise funds in the capital markets. This could have a material adverse effect on the Issuer's business, financial condition and results of operations. Although the Issuer believes that its level of access to domestic and international interbank and capital markets and its liquidity risk management policy allow and will continue to allow the Issuer to meet its short-term and long-term liquidity needs, any maturity mismatches may have a material adverse effect on its financial condition and results of operations. Furthermore, there can be no assurance that the Issuer will be successful in obtaining additional sources of funds on acceptable terms or at all.

***Volatility in interest rates may adversely affect the Issuer's interest income and cost of funds***

The Issuer's interest income and cost of funds vary according to prevailing interest rates, and are significant factors in determining the profitability of the Issuer. The Issuer earns interest from loans and other assets, and pays interest to its depositors and funders. In a low or declining interest rate environment, interest income tends to fall with an associated decline in the cost of funding. Conversely, in a rising or high interest rate environment, interest income tends to increase with an associated rise in the cost of funding. Failure to effectively manage the extent to which the change in interest income is offset by the change in the cost of funding, which is more challenging in a volatile interest rate environment, could have a material adverse effect on the Issuer's business, financial condition and results of operations.

***The Issuer is exposed to operational risk***

The Issuer's business is subject to operational risk, and losses can result from inadequate or failed internal processes, documentation, people, systems, fraud, equipment failures, natural disasters or the failure of external systems, including those of the Issuer's suppliers and counterparties. The Issuer's systems, processes and internal controls are designed to ensure that the operational risks associated with its activities are appropriately monitored and controlled. In addition, business resumption and disaster recovery processes have been implemented to mitigate operational risks inherent in the Issuer's business. Nevertheless, failure to manage these risks could have a material adverse effect on the Issuer's business, financial condition and results of operations.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Issuer will be unable to comply with its obligations as a company with securities admitted to the Official List.

***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, liquidity and operational 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 a material adverse effect on its business, results of operations and financial condition.

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

The Issuer's performance is dependent on the talents and efforts of key personnel, some of whom may have been employed by the Issuer for a substantial period of time and have helped develop the business. The Issuer's continued ability to compete effectively and further develop its business also depends on its ability to attract new employees. In relation to the development and training of new staff, the Issuer is reliant on the continued development of the educational sector within South Africa, including access to facilities and educational programmes by its future employees. The Issuer has a policy directed towards the attraction and retention of existing and new employees and equipping them with appropriate skills. If the Issuer cannot attract, train, retain and motivate qualified personnel, it may be unable to compete effectively and the Issuer's ability to pursue its strategies may be limited, which in each case could have a material adverse effect on the Issuer's business, financial condition and results of operations.

***The Issuer relies on the performance, reliability and integrity of key information technology systems***

The Issuer's lending platform is enabled and supported by an IT system that was designed for the Issuer's business model, and is a core element of the Issuer's credit scoring process. IT platforms, whether the Issuer's or those of third parties on which the Issuer relies, however, are vulnerable to a number of problems, such as computer virus infections, malicious hacking, physical damage to vital IT centres and software or hardware malfunctions. Any incidents of malicious hacking of confidential client data could result in additional costs and material losses to the Issuer and damage to its reputation. Any failure in the Issuer's IT platform, or a general failure of electronic financial systems in South Africa, or greater-than-expected IT costs could significantly affect the Issuer's operations and the quality of client service and could have a material adverse effect on the Issuer's business, financial condition and results of operations.

In addition, if the Issuer is not successful in implementing new systems, or adapting its current IT platform over time, the Issuer may not be able to meet the expectations or changing demands of its clients, and it may incur substantial additional expenses or be unable to compete successfully in the market, which could have a material adverse effect on the Issuer's business, financial condition and results of operations.

***The Issuer is exposed to the risk of fraud, bribery and corruption***

The Issuer's internal control systems are constantly tested and updated to ensure that they are effective in the prevention of fraud, bribery and corruption. However, the Issuer remains exposed to the risk of financial loss due to fraud, bribery and corruption by various parties including, without limitation, crime syndicates. While the Issuer maintains training programmes, codes of conduct and other safeguards to prevent the occurrence of fraud, bribery and corruption, including by employees, directly or indirectly, whether under duress, undue influence or acting in collusion with third parties (e.g. organised crime), it may not be possible for the Issuer to detect or prevent every such instance of this type of activity on every occasion. The Issuer may therefore be subject to civil and criminal penalties where its employees engage in any impermissible or illegal activity, which may result in material penalties, or have a materially adverse impact on the Issuer's reputation which in turn could have a material adverse effect on the Issuer's business, financial condition and results of operations.

***Any downgrade of the Issuer's credit ratings or the 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 their ratings of the Issuer's long-term debt are based on a number of factors, including capital adequacy levels, quality of earnings, credit exposure, the risk management framework and funding diversification. These parameters and their possible impact on the Issuer's credit ratings are monitored closely and incorporated into the Issuer's liquidity risk management and contingency planning considerations. 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 Government could also negatively affect the perception by rating agencies of the Issuer's rating. There can

also be no assurance that the rating agencies will maintain the Issuer's current ratings or outlooks or those of South Africa.

Moreover, the sovereign rating of South Africa has a number of effects on the South African banking sector as a whole. As at 30 September 2013, the foreign currency credit ratings and long-term outlook for South Africa were BBB (Stable outlook), Baa1 (Negative outlook), BBB (Negative outlook) from Fitch Ratings Limited, Moody's and Standard & Poor's Credit Market Services Europe Limited (Frankfurt Branch), respectively. A downgrade in these ratings would likely increase the cost of financing of the South African public debt, which could result in increased taxation, lower Government spending and consequently have an adverse effect on South African economic conditions. A downgrade in these ratings could also raise the cost of funding and reduce the access to capital and funding markets for the Issuer and other financial institutions in South Africa.

Any such downgrade of the Issuer's credit ratings or the credit ratings of South Africa or any change in outlook with respect to either may have an effect on the Issuer's cost of funding, and thereby could have a material adverse effect on the Issuer's business, financial condition and results of operations, which may in turn have an adverse impact on its ability to fulfil its obligations under the Notes.

***Risks associated with the proposed disposal of Ellerines***

African Bank Investments Limited (registration number 1946/021193/06) ("**ABIL**") intends to dispose of its standalone furniture and appliance business, Ellerines, and is actively reviewing various options in this regard. There is no assurance that ABIL will be in a position to dispose of Ellerines on favourable or acceptable economic terms, or at all. Furthermore, if and when a transaction is entered into for the purpose of disposing of Ellerines, such transaction may be subject to conditions precedent, including Government and regulatory approvals and completion mechanics that in certain cases may entail consent from third parties. There are no assurances that such conditions precedent will be satisfied, or consents and approvals obtained, in a timely manner, or at all. ABIL may also be subject to ongoing liabilities in the period between announcement of the transaction and completion, tax liabilities that may arise, substantive indemnity obligations in favour of the buyer, the risk of liability for breach of warranty and other transaction execution risks. In particular, there may be a potential further impairment of goodwill relating to the furniture and appliance business in the event that the selling price is less than the current carrying value of the business.

ABIL's intention to dispose of Ellerines may, depending on the structure of the sale transaction, have a negative impact on the growth of African Bank's loan book should such disposal result in African Bank no longer being permitted to lend to customers through the network of the various brands within Ellerines in South Africa. Any of these factors could negatively affect African Bank's business, financial condition and results of operations.

***The Issuer's operations may be disrupted by increased trade union activity in South Africa***

South Africa has recently experienced an increased level of trade union activity. A number of trade unions in various industries have undertaken industrial action, including strikes, in South Africa over the course of 2012 and 2013, causing work stoppages and production losses. In addition, recent trade union activity in South Africa has resulted in above-inflation negotiated salary increases in certain sectors. The increase in trade union activity, and increased political pressure on labour-related matters, including public debates regarding the relaxation of labour laws, may increase the likelihood or frequency of industrial action in South Africa or impact labour negotiations. The construction and mining sectors are among the sectors considered to be potentially at risk of further industrial action. Similarly, if as a result of increased illegal labour action, customers of the Issuer find themselves out of employment, such customers' ability to repay their loans to the Issuer would be affected which may result in higher bad debts being suffered. If the Issuer incurs increased labour costs or losses due to increased industrial action, these costs and losses could have a material adverse effect on the Issuer's business, financial condition and results of operations.

***The Issuer may be adversely affected by a proposed IASB accounting pronouncement on the impairment of financial instruments***

On 7 March 2013, the International Accounting Standards Board (“IASB”) issued an exposure draft, the Exposure Draft ED/2013/3 Financial Instruments: Expected Credit Losses (the “**Exposure Draft**”), which introduces proposed guidance on an expected loss impairment model that will replace the incurred loss model currently applied. The IASB has not indicated when it intends for this Exposure Draft to be adopted as a standard. The Issuer, like most other entities that hold financial assets subject to credit losses, will be affected by the IASB's proposed model as contemplated by the Exposure Draft. Extensive disclosures are proposed, including reconciliations of opening to closing amounts and disclosure of assumptions and inputs. If the Exposure Draft is adopted, it will result in expected credit losses being recognised on the Issuer's loans when they are originated or purchased by the Issuer. There remains some uncertainty about the detailed arrangement for the implementation of the Exposure Draft and the Issuer has not quantified the impact of the Exposure Draft as it requires significant cost and effort, which can only be applied once the final standard is issued. The proposed adoption of the Exposure Draft may reduce the reported value of the Issuer's assets, and materially increase the Issuer's write-downs and allowances for impairment losses, which may in turn have a material adverse effect on the Issuer's business, financial condition and results of operations.

***The Issuer's financial statements are based in part on assumptions and estimates which, if wrong, could cause losses in the future***

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors. The accounting policies deemed critical to the Issuer's results and financial position are based upon materiality and significant judgements and estimates and include impairment of financial assets, valuation of financial instruments, pensions, insurance and taxation. If the judgements, estimates and assumptions used by the Issuer in preparing its consolidated financial statements are subsequently found to be incorrect, there could be a material adverse effect on the Issuer's business, financial condition and results of operations.

***Risks Related to the Structure of a Particular Issue of Notes***

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features:

***The Notes may be subject to optional redemption by the Issuer***

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***Notes issued at a substantial discount or premium are subject to increased volatility***

The market values of securities issued at a substantial discount or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than 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.

***The Notes may be redeemed prior to their final maturity date for tax or other reasons***

In the event that the Issuer would be obliged to increase the amounts payable or would not be entitled to claim a tax deduction in respect of any Tranche due to certain changes affecting taxation in South Africa or any authority thereof, it may redeem all but not some of the outstanding Notes of such Tranche in accordance with the Conditions. Further, if the proceeds of any Subordinated Notes on their issue would constitute Tier 2 Capital under the Capital Regulations and, as a result of any subsequent changes in the terms of or pursuant to the Capital Regulations, such proceeds no longer constitute Tier 2 Capital (in whole or in part), then the Issuer may redeem all but not some of the affected Notes of the relevant Tranche in accordance with the Conditions. Any redemption of Tier 2 Notes prior to the Maturity Date requires the prior written approval of the Registrar of Banks.

***The Conditions contain provisions that permit the Issuer to substitute or vary the terms of the Tier 2 Notes without the consent of all Tier 2 Noteholders***

The terms and conditions relating to Tier 2 Notes provide that if a Regulatory Event (as defined in the Conditions) has occurred and is continuing, the Issuer may, without any requirement for the consent or approval of the Tier 2 Noteholders, elect to substitute all of the Tier 2 Notes for, or vary the terms of the Tier 2 Notes so that they will, or will continue to qualify as Tier 2 Capital under the then current Capital Regulations.

**Risks Related to the Notes Generally**

Set out below is a brief description of certain risks relating to the Notes generally:

***The EU Savings Directive may result in withholding tax on the Notes***

Under EC Council Directive 2003/48/EC on the taxation of savings income (the “**EU Savings Directive**”), Member States are required to provide the tax authorities of another Member State with details of payments of interest (or similar income) paid by a paying agent (within the meaning of the EU Savings Directive) within its jurisdiction to or collected by such a paying agent (within the meaning of the EU Savings Directive) for, an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria may (unless they elect otherwise) instead apply a withholding system during a transitional period in relation to such payments, deducting tax at rates rising over time to 35 per cent. The ending of such transitional period will be dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. The Luxembourg government has announced its intention to elect out of the withholding system in favour of an automatic exchange of information with effect from 1 January 2015. Belgium also applied the withholding system prior to 1 January 2010, but has recently elected to switch to an exchange of information system with effect from that date.

A number of non-EU countries (including Switzerland), and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the EU Savings Directive) within its jurisdiction or collected by such a paying agent (within the meaning of the EU Savings Directive) for an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual or certain other residual entities resident in one of those territories.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or an amount in respect of, tax were to be withheld from that payment, neither African Bank nor any Paying Agent or Transfer Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on a payment made by a Paying Agent or Transfer Agent, African Bank will be required to maintain a Paying Agent and a Transfer Agent in a Member State that will not be obliged to

withhold or deduct tax pursuant to the EU Savings Directive or any other Directive implementing the conclusions of the ECOFIN council meeting of 26-27 November 2000.

On 13 November 2008, the European Commission published a detailed proposal for amendments to the EU Savings Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made to the EU Savings Directive, they may amend or broaden the scope of the requirements described above.

***Market perceptions concerning the instability of the Euro, the potential re-introduction of individual currencies within the Eurozone, or the potential dissolution of the Euro entirely, could adversely affect the value of the Notes***

As a result of the credit crisis in Europe, in particular in Greece, Italy, Ireland, Portugal and Spain, the European Commission created the European Financial Stability Facility (the “EFSF”) and the European Financial Stability Mechanism (the “EFSM”) to provide funding to Eurozone countries in financial difficulties that seek such support. In March 2011, the European Council agreed on the need for Eurozone countries to establish a permanent stability mechanism, the European Stability Mechanism (the “ESM”), which will be activated by mutual agreement, to assume the role of the EFSF and the EFSM in providing external financial assistance to Eurozone countries after June 2013. Despite these measures, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the Euro and the suitability of the Euro as a single currency given the diverse economic and political circumstances in individual Member States. These and other concerns could lead to the re-introduction of individual currencies in one or more Member States, or, in more extreme circumstances, the possible dissolution of the Euro entirely. Should the Euro dissolve entirely, the legal and contractual consequences for holders of Euro-denominated obligations would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the Notes.

***A change of law may adversely affect the Notes***

The Conditions are governed by English law (other than Conditions 3(c) (*Status of the Tier 2 Notes*), 3(d) (*Substitution and Variation of the Tier 2 Notes*) and 10(b) (*Events of Default relating to the Subordinated Notes (including Tier 2 Notes)*)), which are governed by the laws of South Africa) in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or South African law (as applicable) or administrative practice after the date of issue of the relevant Notes. Changes in South African law may include, but, are not limited to, the introduction of statutory resolutions and loss absorption tools which may affect the rights of the holders of the Tier 2 Notes. Such tools may include the ability to write off sums otherwise payable on such Tier 2 Notes at a time when the Issuer is no longer considered viable by the Registrar of Banks or pursuant to the Capital Regulations (See “*Risks relating to the Subordinated Notes (including Tier 2 Notes)*”).

***Definitive Certificates will not be issued in integral multiples of less than €100,000***

In relation to any issue of Notes that has a denomination consisting of the minimum Specified Denomination of €100,000 plus a higher integral multiple of another smaller amount, it is possible that the Notes may be traded in amounts in excess of €100,000 (or its equivalent) that are not integral multiples of €100,000 (or its equivalent). In such a case a Noteholder who, as a result of trading such amounts, holds a principal amount of less than the minimum Specified Denomination will not receive a definitive Certificate in respect of such holding (should definitive Certificates be printed) and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

***Withholding Tax***

A new withholding tax on interest will come into force in South Africa with effect from 1 January 2015. A general guide to the relevant South African tax laws is set out under “*Taxation*”.



### ***U.S. Foreign Account Tax Compliance Withholding***

Pursuant to the foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 (“**FATCA**”), non-U.S. financial institutions that enter into agreements with the Internal Revenue Service (any such non-U.S. financial institution, a “**Participating FFI**”) or become subject to provisions of local law intended to implement an intergovernmental agreement entered into pursuant to FATCA (“**IGA legislation**”) may be required to identify “financial accounts” held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other non-U.S. financial institutions that are not Participating FFIs (or not otherwise exempt from the FATCA reporting regime). In order (i) to obtain an exemption from FATCA withholding on payments it receives and/or (ii) to comply with any applicable laws in its jurisdiction, a non-U.S. financial institution that is a Participating FFI or that is subject to IGA legislation may be required to (a) report certain information with respect to its U.S. account holders to the United States government or another relevant jurisdiction and (ii) withhold 30 per cent. from all, or a portion of, certain payments made to persons that fail to provide the non-U.S. financial institution with information, consents and forms or other documentation that may be necessary for such non-U.S. financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

As a result, under FATCA, the Issuer (and other non-U.S. financial institutions through which payments on the Notes are made) may be required to withhold 30 per cent. on all or a portion of payments made on or after the later of (i) 1 January 2017 or (ii) the date that is six months after the date on which final U.S. Treasury Department regulations defining the term “foreign passthru payment” are filed in the Federal Register in respect of (a) any Notes treated as debt for U.S. federal income tax purposes that are issued or materially modified on or after 1 July 2014 (or such other date as may be subsequently specified in any U.S. Treasury regulations, official interpretations or administrative guidance issued thereunder) and (b) any Notes which are treated as equity for U.S. federal income tax purposes, whenever issued. Such withholding generally will apply to payments made in respect of the Notes to Noteholders that are not compliant with FATCA or do not provide the necessary information, consents or documentation.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes is not entirely clear. If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of the application of FATCA (including, without limitation, as a result of a failure by a Noteholder or beneficial owner to comply with these rules, as a result of the Noteholder or beneficial owner being a non-Participating FFI, or as a result of the presence in the payment chain of a non-Participating FFI), none of the Issuer, any Paying Agent or any other person would, pursuant to the Conditions, be required to pay additional amounts to investors as a result of the deduction or withholding of such tax. As a result, Noteholders may receive less interest or principal than expected.

**FATCA is particularly complex and its application to the Issuer, the Notes and the Noteholders is uncertain at this time. Each Noteholder should consult its tax adviser to obtain a more detailed explanation of FATCA and the possible implications of FATCA on payments they receive in connection with the Notes. The Issuer accepts no responsibility with regard to how FATCA might affect any Noteholder and is not providing any advice with respect to FATCA.**

### ***Further Ratings may be assigned to the Notes***

The most recently issued Notes under the Programme were rated Baa3 (negative outlook) by Moody’s. Further issuances of Notes issued under the Programme may be rated Baa3 (negative outlook) by Moody’s (or such other rating as Moody’s considers appropriate at the time), subject to confirmation at or after closing. The Notes may or may not be rated by any other rating agencies. There can be no assurance that a rating will be assigned to the Notes by any other rating agency, and, if assigned, what that rating would be. Also, such a rating, if assigned, could be higher or lower than the ratings assigned to the Notes by Moody’s. Prospective investors should not rely solely on the rating of the Notes and should make an independent decision, based on their own analysis and experience, whether to invest in the Notes. A credit rating is not a recommendation to buy, sell or hold the Notes. There can be no assurance that a rating will remain in place

for any given period of time or that a rating will not be lowered or withdrawn by the relevant rating agency if, in its judgment, circumstances in the future so warrant. In the event that a rating initially assigned to the Notes is subsequently lowered for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Notes, and the market value of the Notes may be adversely affected.

#### **Risks relating to the Subordinated Notes (including Tier 2 Notes)**

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

The payment obligations of the Issuer under the Subordinated Notes (including any Tier 2 Notes) will rank behind depositors and senior creditors (including holders of unsubordinated Notes). In the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound-up, the claims of the persons entitled to be paid amounts due in respect of the Subordinated Notes will be subordinated to all other claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness. Accordingly, in any such event no amount shall be eligible for set-off or shall be payable to any or all of the persons entitled to be paid amounts due in respect of the Subordinated Notes in respect of the obligations of the Issuer thereunder until all other indebtedness of the Issuer which is admissible in any such dissolution, insolvency or winding-up (other than Subordinated Indebtedness) has 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, Subordinated Noteholders will not receive any payment on Subordinated Notes.

##### ***No limitation on issuing securities***

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 any Subordinated Notes. The issue of any such securities or indebtedness may reduce the amount recoverable by holders of Subordinated Notes on either a winding-up, liquidation or administration of the Issuer.

##### ***Limited rights of acceleration***

The rights of Subordinated Noteholders are limited in certain respects. In particular, if the Issuer defaults on a payment of principal or interest due on any Subordinated Notes for a period of five days or more, such Subordinated Noteholders may only institute proceedings for the winding-up of the Issuer (and/or prove in any winding-up of the Issuer (other than pursuant to a Solvent Reconstruction (as defined in the Conditions)) 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 shall such Subordinated Noteholders be able to declare (upon written notice) such Subordinated Notes immediately due and payable.

##### ***Proceeds of Subordinated Notes may constitute Tier 2 Capital***

The proceeds of a Subordinated Note may constitute secondary or Tier 2 Capital for the Issuer if it complies with the Capital Regulations and the Additional Conditions (as defined in the Conditions) (if any). Under the laws of South Africa, the direct or indirect acquisition of such a Note by a bank or controlling company (all as defined in the Banks Act) or by a non-bank subsidiary of a bank or controlling company, will result in an impairment to the capital of the bank or controlling company in question, in an amount determined in accordance with and subject to the Regulations Relating to Banks.

Further, when a Tier 2 Note is issued, it may be redeemed before maturity only at the option of the Issuer and only with the prior written approval of the Registrar of Banks under the Regulations Relating to Banks, even when an Event of Default has occurred. In addition, in compliance with the Regulations Relating to Banks, the terms and conditions of such Notes will not entitle Noteholders to accelerate the repayment of future scheduled repayments such as interest coupon or principal, except in the case of bankruptcy or liquidation. The payment obligations of the Issuer in respect of Tier 2 Notes also rank in accordance with the provisions of the Capital Regulations, which may impose payment limitations in addition to those applicable to regular Subordinated Notes.

The Tier 2 Notes may be subsequently excluded as Tier 2 Capital or be adversely affected as a result of a Regulatory Event (See “*Statutory Loss Absorption at the Point of Non-viability of the Issuer*” and “*Substitution and Variation of the Tier 2 Notes*” for further detail).

#### ***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 form part of the broader 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 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.

Under the Basel III Non-Viability Requirements the trigger events will be the earlier of: (1) a decision that a write-off, without which the issuing bank would become non-viable, is necessary, as determined by the relevant authority; and (2) the decision to make a public sector injection of capital, or equivalent support, without which the issuing bank would have become non-viable, as determined by the relevant authority. The Basel III Non-Viability Requirements have been implemented by Regulation 38 of the Regulations Relating to Banks (“**Regulation 38**”). On 18 October 2013, the SARB released SARB Guidance Note 7 of 2013 (“**Guidance Note 7**”) that details matters relating to loss absorbency requirements and the relevant trigger events for capital instruments.

Pursuant to Guidance Note 7, the Registrar of Banks, inter alia:

- provided guidance regarding matters relating to loss absorbency requirements and the relevant “trigger events” for such capital instruments. In terms of Guidance Note 7, the issuing company must stipulate upon the issue of the capital instrument whether that instrument is intended either to be written-off or to be converted into ordinary shares;
- issued guidance that currently the relevant “trigger event” would be the earlier of:
  - a decision that a write-off, without which the company would become non-viable, is necessary, as determined by the Registrar of Banks; or
  - the point at which the company’s common equity tier 1 ratio, (“**CET1 Ratio**”) is equal to or falls below 5.875 per cent.

While Guidance Note 7 has reduced some uncertainties, it does not solve the uncertainty regarding whether the Registrar of Banks is likely to exercise his discretion that the point of non-viability in respect of a particular bank is reached at levels significantly higher than a CET1 Ratio of 5.875 per cent. and what those higher levels may be. As it remains difficult to predict the precise effects of the changes that may result from the implementation of Regulation 38, particularly the manner in which the discretion accorded to the Registrar of Banks will be exercised, this makes it difficult to issue such instruments with standard terms and, therefore, in requisite volumes at acceptable prices.

Basel III requires that non-common equity capital instruments issued before 1 January 2013, which do not meet Basel III loss absorbent criteria, should be “grandfathered or phased out over a 10-year period from 1 January 2013. All of the Issuer’s Additional Tier 1 and Tier 2 capital instruments issued prior to 1 January 2013 are eligible for grandfathering. The ability of the Issuer to replace these instruments with “loss absorbent” instruments over the ten-year period will depend on the extent to which the text of the amendments to the Banks Act has been finalised and clear guidance regarding the probable point of non-viability is given by the Registrar of Banks to enable the issue of such instruments in significant volumes, the appetite of the capital markets for these types of instruments (given that all banks will be coming to the markets to make such issuances) and the ability to issue such instruments at a price mutually acceptable to the Issuer and its investors.

The Tier 2 Notes may, therefore, be subject to write downs or conversion into common equity upon the occurrence of a trigger event, which may result in Tier 2 Noteholders losing some or all of their investment. It is important to note that in terms of Guidance Note 7:

- (a) Tier 1 instruments are likely to be converted or written down prior to the conversion or write-off of any Tier 2 instruments; and
- (b) in the event of a write-off of Tier 2 instruments, such write-off shall be permanent, with no possibility of write-up once the Issuer becomes viable again.

Future changes in regulation are beyond the control of the Issuer and it is not possible to predict precisely whether any future regulatory reforms specifically in relation to the application of Guidance Note 7 or more generally the implementation of Basel III in South Africa will have a material effect on the Issuer’s business, financial condition or results of operations. Such regulatory changes could also adversely affect the price or value of a Noteholder’s investment in any Tier 2 Notes and/or the ability of the Issuer to satisfy its obligations under the Tier 2 Notes.

***Increased risk of Tier 2 Notes being redeemed prior to maturity***

The Taxation Laws Amendment Act, 2013 (the “TLAA”) revises anti-hybrid debt re-characterisation rules in order to reduce the scope for companies to create equity instruments that are disguised as debt instruments and thereby artificially generate interest deductions.

Based on the TLAA, one of the factors that may determine whether an instrument is classified as a hybrid debt instrument is whether the obligation to pay an amount in respect of that instrument is conditional upon the market value of the assets of that company not being less than the market value of the liabilities of that company. If an instrument is re-characterised in this manner as hybrid debt, the instrument may be treated as an equity instrument for income tax purposes. The consequences of such re-characterisation may include that (a) interest payable on the instrument is treated as the payment of a dividend in specie by the issuer and the receipt of a dividend by the holder of the instrument, and (b) the issuer of the instrument is denied a tax deduction for the interest payable on the instrument. If the interest on an instrument is re-classified as a dividend it may also be subject to the dividends tax provisions contained in the Income Tax Act. It is currently proposed that these hybrid debt instrument rules will come into force on 1 April 2014 and apply in respect of amounts incurred after that date.

The TLAA does, however, indicate that Tier 1 Capital and Tier 2 Capital will be exempted from these anti-hybrid debt re-characterisation rules notwithstanding that the relevant instruments would otherwise fall within the scope of the proposed re-characterisation rules.

## **Risks Related to Notes denominated in Renminbi (“CNH Notes”)**

***The Renminbi is not freely convertible and there are significant restrictions on the remittance of Renminbi into and outside the PRC (as defined herein) which may adversely affect the liquidity of CNH Notes***

Renminbi is not freely convertible at present. The government of the PRC (the “**PRC Government**”) continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. Participating banks in Hong Kong have been permitted to engage in the settlement of current account items in Renminbi under a pilot scheme introduced in July 2009 which originally applied to approved pilot enterprises in five cities in the PRC. The pilot scheme was extended in August 2011 to cover the whole nation and to make the settlement of current account items in Renminbi available worldwide. Currently, participating banks in Singapore, Hong Kong and Taiwan have been permitted to engage in the settlement of Renminbi trade transactions.

However, remittance of Renminbi by foreign investors into the PRC for purposes such as capital contributions, known as capital account items, is generally only permitted upon obtaining specific approvals from the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

There is no assurance that the PRC Government will continue to gradually liberalise control over crossborder remittance of Renminbi in the future, that the pilot scheme introduced in July 2009 (as extended) will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or outside the PRC. In the event that funds cannot be repatriated outside the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under CNH Notes.

Holders of beneficial interests in CNH Notes may be required to provide certifications and other information (including Renminbi account information) in order to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong.

***There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the CNH Notes and the Issuer's ability to source Renminbi outside the PRC to service the CNH Notes***

As a result of the restrictions imposed by the PRC Government on crossborder Renminbi fund flows, the availability of Renminbi outside the PRC is limited. Since February 2004, in accordance with arrangements between the PRC central government and the Hong Kong government, licensed banks in Hong Kong and Singapore may offer limited Renminbi denominated banking services to Hong Kong and Singapore residents and designated business customers. The People's Bank of China (“**PBOC**”), the central bank of the PRC, has also established a Renminbi clearing and settlement mechanism for participating banks in Hong Kong, Singapore and Taiwan. On 19 July 2010, further amendments were made to the settlement agreement on the Clearing of Renminbi Business (the “**Settlement Agreement**”) between the PBOC and the Bank of China (Hong Kong) Limited as the Renminbi clearing bank (the “**Renminbi Clearing Bank**”) to further expand the scope of Renminbi business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open Renminbi accounts in Hong Kong, there is no longer any limit on the ability of corporations to convert Renminbi and there is no longer any restriction on the transfer of Renminbi funds between different accounts in Hong Kong.

However, the current size of Renminbi denominated financial assets outside the PRC is limited. In addition, participating authorised institutions are also required by the Hong Kong Monetary Authority (“**HKMA**”) to maintain a total amount of Renminbi (in the form of cash, its settlement account balance and/or fiduciary account balance with the Renminbi Clearing Bank) of no less than 25 per cent. of their Renminbi deposits, which further limits the availability of Renminbi that participating banks can utilise for conversion services

for their customers. Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC. They are only allowed to square their open positions with the Renminbi Clearing Bank after consolidating the Renminbi trade position of banks outside Hong Kong that are in the same bank group of the participating banks concerned with their own trade position, and the Renminbi Clearing Bank only has access to onshore liquidity support from the PBOC for the purpose of squaring open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross border trade settlement, for individual customers of up to RMB 20,000 per person per day. The Renminbi Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that no new PRC regulations will be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi offshore. The limited availability of Renminbi outside the PRC may affect the liquidity of the CNH Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service the CNH Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all. If the Renminbi is not available in certain circumstances as described under Condition 7(i) (*Payment of U.S. Dollar Equivalent for CNH Notes*), the Issuer can make payments under the CNH Notes in U.S. Dollars.

***Investment in the CNH Notes is subject to exchange rate risks and the Issuer may make payments of interest and principal in U.S. Dollars in certain circumstances***

The value of the Renminbi against the U.S. Dollar and other foreign currencies fluctuates and is affected by changes in the PRC and international political and economic conditions and by many other factors. In addition, although the Issuer's primary obligation is to make all payments of interest and principal or other amounts with respect to the CNH Notes in Renminbi, in certain circumstances, and if so specified, the Conditions allow the Issuer to make payment in U.S. Dollars at the prevailing spot rate of exchange, and/or cancel or redeem such Notes, all as provided for in more detail in the Conditions. As a result, the value of these Renminbi payments may vary with the prevailing exchange rates in the marketplace. If the value of the Renminbi depreciates against the relevant foreign currency between then and the time that the Issuer pays back the principal of the CNH Notes in Renminbi at maturity, the value of the investment in the relevant foreign currency will have declined.

***Payments with respect to the CNH Notes may be made only in the manner specified in such CNH Notes***

All payments to investors in respect of the CNH Notes will be made solely (i) for so long as the Notes are represented by a Global Note or a Global Certificate held with the common depositary for Clearstream, Luxembourg and Euroclear or any alternative clearing system by transfer to a Renminbi bank account maintained in Hong Kong, or (ii) for so long as the Notes are in definitive form, by transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or by transfer to a bank account in the PRC).

Investors may be required to provide certification and other information (including Renminbi account information) in order to be allowed to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong.

**Risks Related to the Market Generally**

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

***There has been no prior market for the Notes and African Bank cannot assure investors that an active, stable or liquid secondary market for the Notes will develop***

Prior to the issue of Notes under the Programme, there has been no established trading market for the Notes. As a result and after initial issuances of Notes under the Programme, African Bank cannot predict whether an active trading market will develop. Even after Notes are issued, if a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes. Consequently, there can be no assurance that holders of the Notes will be able to resell their Notes at or above the applicable Issue Price.

***The Notes may be subject to exchange rate risks and exchange controls***

African Bank will pay principal and interest on the Notes in the Specified Currency. 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.

***Fixed rate notes are subject to interest rate risks***

An investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of Fixed Rate Notes.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

***Because the Global Notes or the Global Certificates (as the case may be) 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***

The Notes may be represented by one or more Global Notes (in the case of Bearer Notes) or Global Certificates (in the case of Registered Notes). Such Global Notes and Global Certificates will be deposited with a Common Depositary.

Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive Definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, 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 Notes or Global Certificates, as the case may be, the Issuer will discharge its payment obligations under the Notes by making payments to the Common Depositary for distribution to their account holders. A holder of a beneficial interest in a Global Certificate

must rely on the procedures of Euroclear, Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes or Global Certificates.

Holders of beneficial interests in the Global Certificates will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream, Luxembourg to appoint appropriate proxies.

***Credit ratings may not reflect all risks***

One or more independent credit rating agencies may assign credit ratings to a tranche of Notes. The ratings may not reflect the potential impact of all risks related to structure, market factors, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be suspended, revised or withdrawn by the rating agency at any time.

Any reduction in the Issuer's credit ratings may increase its costs of borrowing and limit access to capital markets. There is no guarantee that the Issuer will not be subject to negative changes in its credit rating. Such changes in the Issuer's credit ratings could adversely affect its liquidity, funding and competitive position, which may, in turn, reduce the Issuer's profitability and financial position.

***The trading market for debt securities may be volatile and may be adversely impacted by many events***

The market for the Notes is influenced by economic and market conditions and, to varying degrees, interest rates, currency exchange rates and inflation rates in the United States and European and other industrialised countries. There can be no assurance that events in South Africa, the United States, Europe or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of Notes or that economic and market conditions will not have any other adverse effect.

***Investments in emerging markets are subject to greater risk than investments in more developed markets***

Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including in some cases significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in the 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 risk involved.



## KEY FEATURES OF THE PROGRAMME

*This overview should be read as an introduction to, and is qualified in its entirety by reference to, the more extensive information contained elsewhere in this Base Prospectus. This overview may not contain all the information that prospective investors should consider before deciding to invest in the Notes. Accordingly, any decision by a prospective investor to invest in the Notes should be based on a consideration of this Base Prospectus as a whole, including any documents incorporated by reference. Prospective investors should read this entire Base Prospectus carefully, including the financial statements and related notes and the information set out under the heading “Risk Factors”.*

<b>Issuer:</b>	African Bank Limited.
<b>Description:</b>	Euro Medium Term Note Programme.
<b>Initial Programme Amount:</b>	Up to U.S.\$6,000,000,000 (or its equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time.
<b>Arranger:</b>	Goldman Sachs International.
<b>Dealers:</b>	<p>Goldman Sachs International, Rand Merchant Bank (a division of First-Rand Bank Limited, London Branch), Deutsche Bank AG (London Branch), Standard Chartered Bank, Credit Suisse Securities (Europe) Limited and UBS Investment Bank.</p> <p>The Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Tranches of Notes or in respect of the whole Programme. References in this Base Prospectus to “<b>Permanent Dealers</b>” are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to “<b>Dealers</b>” are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches of Notes.</p>
<b>Fiscal Agent, Transfer Agent and Calculation Agent:</b>	Citibank N.A., London Branch.
<b>Registrar:</b>	Citigroup Global Markets Deutschland AG.
<b>Method of Issue:</b>	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a “ <b>Series</b> ”) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may comprise one or more tranches of Notes (each, a “ <b>Tranche</b> ”) issued on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the denominations, issue date, issue price, first payment

of interest and principal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the Final Terms.

**Issue Price:**

Notes may be issued at any price, as specified in the Final Terms. The price and amount of the 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.

**Form of Notes:**

The Notes may be Bearer Notes or Registered Notes.

Each Tranche of Bearer Notes will be represented on issue by a Temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in “*Selling Restrictions*”). Otherwise such Tranche will be represented by a Permanent Global Note.

Each Tranche of the Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as “Global Certificates”.

**Clearing Systems:**

Euroclear and Clearstream, Luxembourg or as otherwise specified in the relevant Final Terms.

**Currencies:**

Notes may be denominated in U.S. Dollars, Euros, Swiss Franc, Sterling, Renminbi or in any other currency or currencies, subject to compliance with all relevant laws, regulations, directives and central bank requirements.

**Maturities:**

Subject to compliance with all relevant laws, regulations, directives and/or central bank requirements, any maturity, and in relation to Tier 2 Notes, such minimum maturities as may be required from time to time by the applicable Capital Regulations that are specified in the relevant Final Terms.

**Specified Denomination:**

Definitive Notes will be in such denominations (each a “**Specified Denomination**”) as may be specified in the relevant Final Terms.

In the case of any Notes which are to be admitted to trading on a regulated market, or offered to the public, within the EEA in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in

any other currency as at the date of issue of the Notes).

Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise would constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) will have a minimum denomination of £100,000 (or its equivalent in another currency).

**Fixed Rate Notes:**

Fixed Rate Notes (as defined in the Conditions) will bear fixed interest payable in arrears on the date or dates in each year specified in the relevant Final Terms.

**Floating Rate Notes:**

Floating Rate Notes (as defined in the Conditions) will bear interest determined separately for each Series as follows:

- (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant specified currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or
- (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR as adjusted for any applicable margin.

Interest Periods will be specified in the relevant Final Terms.

**Zero Coupon Notes:**

Zero Coupon Notes (as defined in the Conditions) may be issued at their principal amount or at a discount to it and will not bear interest.

**Interest Periods and Interest Rates:**

The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms.

**Redemption:**

The relevant Final Terms will specify the basis for calculating the redemption amounts payable. Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in Sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be

accepted by the Issuer in the United Kingdom or whose issue otherwise would constitute a contravention of section 19 of the FSMA will have a minimum redemption amount of £100,000 (or its equivalent in the relevant currency).

Subject to the applicable Capital Regulations, Tier 2 Notes may have a minimum period to maturity determined in accordance with the Capital Regulations relating to such Tier 2 Notes as set out in the relevant Final Terms. Notwithstanding the foregoing, for so long as the applicable Capital Regulations so require, Tier 2 Notes may be redeemed, or purchased and cancelled by the Issuer prior to the Maturity Date, only at the option of the Issuer and with the prior written approval of the Registrar of Banks and in accordance with the Additional Conditions (if any) approved by the Registrar of Banks, even when an Event of Default has occurred.

**Optional Redemption:**

Subject to “*Redemption*” above, the Final Terms issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.

**Tax Redemption:**

Except as described in “*Optional Redemption*” above and “*Redemption for Regulatory Reasons*” below and subject to, as described in “*Redemption*” above, early redemption will only be permitted for tax reasons as described in Condition 6(c) (*Redemption for Taxation Reasons*).

**Redemption for Regulatory Reasons:**

Except as described in “*Optional Redemption*” and “*Tax Redemption*” above and subject to, as described in “*Redemption*” above, early redemption of 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 6(d) (*Redemption for Regulatory Reasons*) if so specified in the relevant Final Terms.

**Status of the Senior Notes:**

Subject as set out in “*Negative Pledge*” below, the Senior Notes are unsecured obligations of the Issuer which rank *pari passu* and without any preference among themselves and, subject as aforesaid, with all other unsecured and unsubordinated indebtedness of the Issuer, present and future.

**Status of the Subordinated Notes:**

The Subordinated Notes are direct, unconditional, subordinated and unsecured obligations of the Issuer which rank *pari passu* and without any preference among themselves and, subject as aforesaid, with all other unsecured and subordinated indebtedness of the Issuer, present and future.

Subject to applicable law, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound-up, the claims of the persons entitled to be paid amounts due in respect of the Subordinated Notes shall be subordinated to all other claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness (as defined in the Conditions). Accordingly, in any such event no amount shall be eligible for set-off or shall be payable to any or all of the persons entitled to be paid amounts due in respect of the Subordinated Notes in respect of the obligations of the Issuer thereunder until all other indebtedness of the Issuer which is admissible in any such dissolution, insolvency or winding-up (other than Subordinated Indebtedness) has been paid or discharged in full.

**Status of the Tier 2 Notes:**

In order for the proceeds of the issue of any Subordinated Notes to qualify as Tier 2 Capital, such Subordinated Notes must comply with the applicable Capital Regulations (including the Additional Conditions (if any) prescribed by the Registrar of Banks in respect of a particular Tranche of Tier 2 Notes). The Issuer will specify in the relevant Final Terms whether, in respect of any issue of Subordinated Notes, the proceeds thereof are intended to qualify as Tier 2 Capital. In compliance with such Capital Regulations:

- (a) the Tier 2 Noteholders shall not have the right to accelerate the payment of future scheduled payments, including principal, interest and any additional amounts except in the case of the bankruptcy and/or liquidation of the Issuer;
- (b) Tier 2 Notes must have a minimum maturity of five years and one day; and
- (c) the Tier 2 Notes may, at the option of the Registrar of Banks, either be written off or converted into the most subordinated form of equity upon the occurrence of a trigger event specified in writing by the Registrar of Banks (as contemplated in Condition 3(c) (Status of the Tier 2 Notes)) unless duly enforceable legislation is in place that (i) requires the Tier 2 Notes to be written off upon the occurrence of the aforesaid event, or (ii) otherwise requires the Tier 2 Notes to fully absorb loss before tax payers or ordinary depositors are exposed to the loss.

**Substitution and Variation of the Tier 2 Notes:**

If a Regulatory Event has occurred and is continuing, then the Issuer may, subject as provided in the

Conditions, without any requirement for the consent or approval of the Tier 2 Noteholders, elect to substitute all (but not only some) of the relevant Tier 2 Notes for, or vary the terms of the relevant Tier 2 Notes so that they will, or will continue to, qualify as Tier 2 Capital under the Capital Regulations (including the Additional Conditions (if any) prescribed by the Registrar of Banks in respect of such Tier 2 Notes).

**Negative Pledge:**

The Senior Notes will have the benefit of a negative pledge as described in Condition 4 (*Negative Pledge*).

**Cross-Acceleration:**

The Senior Notes contain a cross-acceleration provision in respect of Borrowed Money (as defined in Condition 10 (*Events of Default*)) and including for this purpose any assumption, guarantee or indemnity in respect of Borrowed Money) or a failure by the Issuer or any Material Subsidiary to pay when due, or within any applicable grace period, any Borrowed Money.

**Ratings:**

Tranches of Notes may be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant Final Terms.

Whether or not each credit rating applied for in relation to a Series of Notes will be issued by Moody's will be disclosed in the Final Terms. Moody's is not established in the European Union and has not applied for registration under the CRA Regulation.

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.

**Taxation:**

All payments of principal and interest in respect of the 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 to the exceptions in Condition 8 (*Taxation*)) 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:**

The Notes (other than Conditions 3(c) (*Status of the Tier 2 Notes*), 3(d) (*Substitution and Variation of the Tier 2 Notes*) and 10(b) (*Events of Default relating to the Subordinated Notes (including Tier 2 Notes)*)), which are governed by the laws of South Africa) and any non-contractual obligations arising out of or in connection with the Notes will be governed by and construed in accordance with English law.

**Enforcement of Notes in Global Form:**

In the case of Global Notes and Global Certificates, individual investors' rights against the Issuer will be governed by a deed of covenant dated on or around 21 January 2014 (the “**Deed of Covenant**”), a copy of which will be available for inspection at the specified office of the Fiscal Agent.

**Listing and Trading:**

Applications have been made for the Notes to be admitted during the period of twelve months after the date hereof to listing on the Official List of the FCA and to trading on the Market or as otherwise specified in the relevant Final Terms and references to listing shall be construed accordingly. As specified in the relevant Final Terms, a Series of Notes may be unlisted. Information contained in this Base Prospectus regarding PD Exempt Instruments shall not be deemed to form part of this Base Prospectus and the UK Listing Authority has neither approved nor reviewed information contained in this Base Prospectus in connection with PD Exempt Instruments.

**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, the EEA, the United Kingdom, South Africa, the Republic of Italy and Japan, see “*Subscription and Sale*”.

Bearer Notes will be issued in compliance with United States Treasury Regulations §1.163-5(c)(2)(i)(D) (the “**D Rules**”) unless (i) the relevant Final Terms states that the Notes are issued in compliance with United States Treasury Regulations §1.163-5(c)(2)(i)(C) (the “**C Rules**”), or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” under the United States Tax Equity and Fiscal Responsibility Act of 1982 (“**TEFRA**”), which circumstances will be referred to in the relevant Final Terms as a transaction to which TEFRA is not applicable.

**Risk Factors:**

Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Notes are discussed under “*Risk Factors*” above.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Base Prospectus and the documents incorporated by reference herein are not historical facts but constitute “forward-looking statements”. This Base Prospectus contains certain forward-looking statements in various sections, including, without limitation, under the headings “*Risk Factors*” and “*Description of African Bank Limited*”. African Bank may from time to time make written or oral forward-looking statements in reports to its shareholders, holders of debt securities and in other communications. Examples of such forward-looking statements include, but are not limited to:

- statements of African Bank's plans, objectives or goals, including those related to its strategy, products and services;
- statements of future economic performance and financial position and results of operations;
- statements of assumptions underlying such statements; and
- any other statements other than statements of historical fact.

Forward-looking statements that may be made by African Bank from time to time (but that are not included in this Base Prospectus) may also include projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios.

Words such as “*aim*”, “*anticipates*”, “*believes*”, “*continue*”, “*could*”, “*estimates*”, “*expects*”, “*forecast*”, “*guidance*”, “*intends*”, “*may*”, “*plans*”, “*potential*”, “*predict*”, “*project*”, “*targets*”, “*will*”, “*would*”, and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. Prospective investors should be aware that a number of factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

Additional factors that could cause actual results, performances or achievements to differ materially include, but are not limited to, those discussed under the heading “*Risk Factors*”. This list of important factors is not exhaustive. Forward-looking statements speak only as of the date of this Base Prospectus. When relying on forward-looking statements, prospective investors should carefully consider the aforementioned factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which African Bank operates. Such forward-looking statements speak only as at the date on which they are made and are not subject to any continuing obligations under any guidelines issued by the London Stock Exchange. Accordingly, except as required by applicable law, rule or regulation, African Bank:

- expressly disclaims any obligation or undertaking to publicly update or revise any forward-looking statements in this Base Prospectus (including the documents incorporated by reference herein) to reflect any change in its expectations or any change in events, conditions or circumstances on which these forward-looking statements are based; and
- does not undertake any obligation to update or revise any of them, whether as a result of new information or future events or otherwise,

provided that the Issuer will update this Base Prospectus as required by, and in accordance with, the Prospectus Rules, Listing Rules and Disclosure and Transparency Rules of the Financial Services Authority. African Bank does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.



## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Fiscal and calendar years

The Issuer's financial year ends on 30 September. In this Base Prospectus, in order to distinguish between financial years and calendar years, the following conventions are adopted: (i) calendar years are referred to as "calendar year [YEAR]" or simply "[YEAR]" and (ii) the Issuer's financial year is referred to as the "year ended or year ending 30 September [YEAR]" or as "Financial Year [YEAR]". For example, the 12 month period ended 30 September 2013 is referred to as Financial Year 2013.

### Presentation of Financial Information

This Base Prospectus contains audited financial statements for the Issuer as at, and for Financial Years 2012 and 2013, which have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. The Bank's financial statements are presented in Rand which is the Bank's functional currency.

### Restatements of comparable balances

African Bank has reviewed its accounting policies and methodologies as part of its annual reporting process and has implemented a change to its loan impairment provisioning methodology. As a result, certain of the Financial Year 2012 figures have been restated.

Under the NCA, once a credit agreement goes into arrears, a credit provider cannot raise interest, fees and charges in excess of the total outstanding amount of the balance determined at the time that the first arrears occurred. The Bank has applied this requirement consistently across all its portfolios when defaulting loans reach the "in duplum" threshold (the "**Threshold Loans**").

*For purposes of calculating the impairment provisions against the non-performing and written off loans on a portfolio basis, International Accounting Standard 39 ("IAS39") does not have an alternative treatment for situations where no interest and fees are permitted to be charged and requires the application of the effective interest rate of the loans at origination for purposes of the present value calculation. Historically African Bank applied a lower weighted average effective interest rate to calculate the present value of impaired loans, taking into consideration the fact that no interest or fees are being charged on the Threshold Loans. As a result of the growth in the Threshold Loans over time, the difference between the two provisioning methodologies has become cumulatively material for Financial Year 2013. Accordingly, African Bank has amended its provisioning methodology to discount all forecast cash flows at the original effective interest rates. As a result of this change to the accounting policy, various Financial Year 2012 comparative figures have been restated as set forth in the table below:*

**Impact of Change to the Loan Impairment Provisioning Methodology**

	<b>Financial Year 2012</b>
	<i>(in Rand millions)</i>
<b>Income statement</b>	
Decrease in credit impairment charge	355
Increase in normal taxation	(100)
Increase in profit after tax	255
<b>Balance sheet</b>	
Decrease in net advances	(1 330)
Increase in prepaid tax assets	371
Increase in deferred tax assets	2
Decrease in retained earnings	957

**Currency**

In this Base Prospectus, the following currency terms are used:

- “**South African Rand**”, “**Rand**”, “**R**” or “**ZAR**” refers to the lawful currency of South Africa;
- “\$”, “**U.S. Dollar**”, “**USD**” or “**U.S.\$**” refers to the lawful currency of the United States;
- “£”, “**Pounds**”, “**British Pounds**” or Sterling refers to the lawful currency of the United Kingdom;
- “€”, “**Euro**” or “**EUR**” refers to the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended;
- “S\$” refers to the lawful currency of Singapore;
- “SFr”, “**Swiss franc**” or “**CHF**” refers to the lawful currency of Switzerland;
- “JPY”, “**Japanese Yen**”, “**Yen**” or “¥” refers to the legal currency of Japan; and
- “**Renminbi**”, or “**CNY**” refers to the lawful currency of People’s Republic of China excluding Taiwan and the Hong Kong and Macau Special Administrative Regions (the “**PRC**”). “**CNH Notes**” refers to Notes denominated in CNY and deliverable in Hong Kong.

**Exchange Rates**

The table below sets out, for the periods and dates indicated, certain information regarding the exchange rate between the Rand and the U.S. Dollar, based on the exchange rate quoted by Bloomberg. Fluctuations in the exchange rates between the Rand and the U.S. Dollar in the past are not necessarily indicative of fluctuations that may occur in the future. The rates may differ from the actual rates used in the preparation of the Issuer’s audited financial statements and other financial information appearing in this Base Prospectus. The Issuer makes no representation that the Rand or U.S. Dollar amounts referred to in this Base Prospectus have been, could have been or in the future could be converted to Rand or U.S. Dollars at any particular rate, or at all. On 8 January 2014, the official exchange rate quoted by Bloomberg was R10.7644 to \$1.

**Exchange Rate Between the Rand and the U.S. Dollar**

	High <sup>(1)</sup>	Low <sup>(2)</sup>	Period average <sup>(3)</sup>	Period end <sup>(4)</sup>
	(Rand per U.S. Dollar)			
Month ended				
January 2014 (through to 8 January) .....	10.7644	10.4837	10.6617	10.7644
31 December 2013.....	10.5304	10.2641	10.3747	10.5219
30 November 2013 .....	10.3886	10.0695	10.2071	10.1742
31 October 2013 .....	10.1148	9.7214	9.9089	10.0307
30 September 2013.....	10.3344	9.6950	9.9812	10.0456
31 August 2013 .....	10.4109	9.8118	10.0788	10.2799
31 July 2013 .....	10.2042	9.7024	9.9243	9.9125
30 June 2013.....	10.2035	9.8329	9.9979	9.8806
31 May 2013.....	10.0915	8.9097	9.3645	10.0915
30 April 2013.....	9.2457	8.8854	9.1014	8.9962
31 March 2013.....	9.3157	9.0069	9.1979	9.2362
28 February 2013.....	9.0069	8.8104	8.8809	9.0069
31 January 2013.....	9.1123	8.4574	8.7875	8.9372
Year ended 31 December				
2013 .....	10.5304	8.4574	9.6496	10.5219
2012 .....	8.9592	7.4535	8.2108	8.4783
2011 .....	8.5717	6.5656	7.2474	8.0650
2010 .....	7.9450	6.5978	7.2989	7.3900
2009 .....	10.6050	7.2080	7.2989	6.5995
2008 .....	11.6200	6.7200	8.2482	9.4400
2007 .....	7.4900	6.4765	7.0277	6.8400
2006 .....	7.8760	5.9408	6.7528	6.9900

Source: Bloomberg

- (1) The highest closing of the exchange rates recorded on each business day of the relevant month or year as applicable.
- (2) The lowest closing of the exchange rates recorded on each business day of the relevant month or year as applicable.
- (3) The average exchange rate for each relevant month or year as applicable calculated using the closing exchange rate.
- (4) The closing exchange rate on the last business day of each relevant month or year as applicable.

***Rounding***

Rounding adjustments have been made in calculating some of the financial information included in this Base Prospectus. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

***Market Data***

The Issuer has obtained certain statistical and market information that is presented in “*Risk Factors*” and “*Description of African Bank Limited*” in this Base Prospectus from the following third-party sources:

- the Government;

- the National Treasury;
- the SARB; and
- Statistics South Africa.

The Issuer takes responsibility for the accurate reproduction of such information and, as far as the Issuer is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. Market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative. Prospective investors should note that the Issuer's estimates are based on such third-party information. None of the Issuer, the Arranger or the Dealers has independently verified the figures, market data or other information on which third parties have based their studies.

### **SUPPLEMENTARY PROSPECTUS**

If at any time the Issuer shall be required to prepare a supplementary prospectus pursuant to section 87G of the FSMA, the Issuer will prepare and make available an appropriate amendment or supplement to this Base Prospectus or a further Base Prospectus which, in respect of any subsequent issue of Notes to be listed on the Official List and admitted to trading on the Market, shall constitute a supplementary prospectus as required by the UK Listing Authority and section 87G of the FSMA.

The Issuer has given an undertaking to the Arranger and the Dealers that if at any time during the duration of the Programme there is a significant new factor, material mistake or material inaccuracy relating to information contained in this Base Prospectus which is capable of affecting the assessment of any Notes and whose inclusion in, or removal from, this Base Prospectus is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Notes, then the Issuer shall prepare an amendment or supplement to this Base Prospectus or publish a replacement Base Prospectus for use in connection with any subsequent offering of the Notes and shall supply to the Arranger and each Dealer such number of copies of such supplement hereto as the Arranger or Dealer may reasonably request.

#### **USE OF PROCEEDS**

The net proceeds from the issue of each Tranche of Notes will be used by African Bank for its general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the relevant Final Terms.

## CAPITALISATION AND INDEBTEDNESS

The following table sets out African Bank's historical capitalisation as at 30 September 2013 and 30 September 2012. Prospective investors should read this information in conjunction with “*Use of Proceeds*” and the Issuer’s audited financial statements and the notes thereto which are included elsewhere in this Base Prospectus. Save as disclosed below, there has been no material change in the capitalisation and indebtedness of African Bank since 30 September 2013.

### African Bank's Historical Capitalisation

	30 September 2013	30 September 2012
	Restated	
	<i>Audited</i>	
	<i>(in Rand millions)</i>	
Ordinary shareholder’s equity	7,801	10,975
<b>Total equity (capital and reserves)</b>	<b>7,801</b>	<b>10,975</b>
Subordinated bonds, debentures & loans	4,361	3,831
Bonds and other long-term funding	41,990	37,300
Short-term funding	7,634	4,295
Amounts owing to holding company and fellow subsidiaries	374	530
Other liabilities	1,545	1,133
<b>Total liabilities</b>	<b>55,904</b>	<b>47,089</b>
<b>Total liabilities and equity</b>	<b>63,705</b>	<b>58,064</b>
Less cash funds available	3,030	2,935
<b>Total liabilities and equity less cash funds</b>	<b>60,675</b>	<b>55,129</b>

In addition, African Bank issued a CHF 105 million Note under the Programme on 11 October 2013 which was listed on the SIX Swiss Exchange.

Further to the Rights Offer (as defined in “*Risk Management – Capital, Liquidity and Funding – Recent rights offer by ABIL*”), African Bank’s capitalization was R4.750 billion as at 20 December 2013.

Details of the outstanding bonds under the Domestic Programme are set out in the section of this Base Prospectus headed “*Description of Certain Indebtedness*”.

## SELECTED FINANCIAL AND OTHER INFORMATION

The selected income statements, balance sheets, statements of changes in equity and cash flow statements as at and for Financial Years 2013 and 2012 of the Issuer were prepared in accordance with IFRS and have been derived from, and are qualified in their entirety by reference to, the Issuer's audited financial statements which are incorporated by reference into this Base Prospectus.

### Balance Sheet

	As at 30 September	
	2013	2012
		Restated
	Audited	
	(in Rand millions)	
Assets		
Short-term deposits and cash	3,030	2,935
Statutory assets	3,859	3,132
Other assets	3,615	1,199
Taxation	490	294
Net advances	49,910	44,800
Deferred tax asset	278	324
Amounts owing by holding company and fellow subsidiaries	1,337	258
Intergroup loan - Ellerines	569	461
Property and equipment	488	527
Intangible assets	129	134
Goodwill	-	4,000
Total assets	63,705	58,064
Liabilities and Equity		
Short-term funding	7,513	4,111
Short-term funding - Ellerines	121	184
Other liabilities	1,545	1,133
Bonds and other long-term funding	41,990	37,300
Subordinated bonds, debentures and loan	4,361	3,831
Amounts owing to fellow subsidiaries	374	530
Total liabilities	55,904	47,089
Share capital	121	121
Share premium	8,833	8,083
Reserves	(1,153)	2,771
Ordinary shareholder's equity	7,801	10,975
Total liabilities and equity	63,705	58,064



## Income Statement

	For the year ended 30 September	
	2013	2012
		Restated
	<i>Audited</i>	
	<i>(in Rand millions)</i>	
Interest income on advances	11,859	9,823
Non-interest income	3,566	3,206
<b>Income from operations</b>	<b>15,425</b>	<b>13,029</b>
Credit impairment charge	(9,096)	(4,815)
<b>Risk-adjusted income from operations</b>	<b>6,329</b>	<b>8,214</b>
Other interest income	346	302
Interest expense	(4,528)	(3,787)
Operating costs	(2,787)	(2,513)
Indirect taxation: VAT	(88)	(49)
<b>(Loss)/Profit from operations</b>	<b>(728)</b>	<b>2,167</b>
Capital items	(4,000)	-
<b>(Loss)/Profit before taxation</b>	<b>(4,728)</b>	<b>2,167</b>
Direct taxation: STC	-	(2)
Direct taxation: SA normal	193	(607)
<b>(Loss)/Profit for the year</b>	<b>(4,535)</b>	<b>1,558</b>

Statement of changes in equity

For the year ended 30 September 2013						
<i>Audited</i>						
<i>(in Rand millions)</i>						
	Share capital	Ordinary Share premium	Retained earnings	Share-based payment reserve	Cashflow hedging reserve	Total
<b>Balance at 30 September 2011 (restated)</b>	121	7,672	1,801	81	(228)	9,447
Total comprehensive income for the year	-	-	1,558	(7)	(200)	1,351
Transfer to retained earnings	-	-	77	(77)	-	-
Ordinary share issued	-	411	-	-	-	<b>411</b>
Dividend paid	-	-	(234)	-	-	<b>(234)</b>
<b>Balance at 30 September 2012 (restated)</b>	<b>121</b>	<b>8,083</b>	<b>3,202</b>	<b>(3)</b>	<b>(428)</b>	<b>10,975</b>
Total comprehensive loss for the year	-	-	(4,535)	3	608	(3,924)
Ordinary shares issued	-	750	-	-	-	750
Dividend paid	-	-	-	-	-	-
<b>Balance at 30 September 2013</b>	<b>121</b>	<b>8,833</b>	<b>(1,333)</b>	<b>-</b>	<b>180</b>	<b>7,801</b>

## Cash Flow Statement

	<b>For the year ended</b>	
	<b>30 September</b>	
	<b>2013</b>	<b>2012</b>
		<b>Restated</b>
	<i><b>Audited</b></i>	
	<i>(in Rand millions)</i>	
Cash generated from operations	8,995	7,412
Increase in gross advances	(14,367)	(16,409)
Increase in working capital	1,300	132
Indirect and direct taxation paid	(284)	(665)
Cash outflow from operating activities	(4,356)	(9,530)
Cash outflow from investing activities	(2,186)	(1,356)
Cash inflow from financing activities	6,637	10,941
<b>Increase in cash and cash equivalents</b>	<b>95</b>	<b>55</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2,935</b>	<b>2,880</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>3,030</b>	<b>2,935</b>

## DESCRIPTION OF AFRICAN BANK LIMITED

### OVERVIEW

African Bank is a bank registered under the Banks Act and is a wholly-owned subsidiary of ABIL, a registered bank controlling company listed on the JSE Limited (the “**JSE**”). Both African Bank and ABIL are subject to the regulation of the Registrar of Banks and the Bank Supervision Department of the SARB.

African Bank holds a full banking licence granted by the SARB and is an authorised financial services provider in South Africa by the FSB. The Bank is a member of the Banking Association in South Africa and a registered credit provider under the authority of a licence issued by the NCR in South Africa.

African Bank is the sixth largest bank and the largest unsecured loan provider in South Africa. As at 30 September 2013, the Bank had total assets of R63.7 billion (compared to R58.1 billion as at 30 September 2012). The Bank provides short to medium term unsecured loans to individuals and operates through 514 banking distribution points across South Africa. As at 30 September 2013, African Bank provided services to 2.7 million customers, employed 5,230 members of staff and had a gross advances book of R59.0 billion. Personal loans granted by African Bank are used predominantly for incremental housing, education, emergencies and debt consolidation purposes.

Standard General Insurance Company Limited (registration number 1948/029011/06) (“**Stangen**”) is also a wholly-owned subsidiary of ABIL and is registered in South Africa as a long-term insurance company with a licence to market credit insurance products. While African Bank and Stangen are separated for regulatory purposes, the two entities are largely managed and reported on as a single business unit (collectively, the “**African Bank Business Unit**”). Stangen provides credit life insurance cover in relation to loans originated exclusively by African Bank. The key financial relationship between African Bank and Stangen is the commission that is paid by Stangen to African Bank as an intermediary in respect of the brokering of Stangen’s insurance products to African Bank’s customer base.

On 21 January 2008, ABIL acquired Ellerine Holdings Limited (registration number 1968/013402/06) (“**Ellerines**”), an established furniture and appliance retailer. The strategic rationale underpinning the acquisition of Ellerines was to add to the critical mass in African Bank’s traditional customer base and advances book, while opening up new areas for growth. Key to the achievement of this objective was the integration of the financial services activities of the two businesses.

This integration took place in two phases. First, the front-end credit origination platform of African Bank was implemented across all Ellerines branded stores. Second, Ellerines’ financial services activities were integrated into African Bank.

The first phase was completed during Financial Year 2010. In order to implement the second phase, with effect from 7 September 2010, African Bank acquired the financial services activities of Ellerine Furnishers (Proprietary) Limited (registration number 1969/002687/07) (“**EFPL**”), a wholly owned subsidiary of Ellerines, comprised primarily of its South African net advances book and the related deferred tax assets of Ellerines, along with the right to grant credit in all EFPL’s South African stores and goodwill relating to the financial services business. The financial services business of EFPL that has been integrated into African Bank excludes the insurance activities currently carried out within the Ellerines group and the provision of credit in the non-South African stores. (See “*Strategy-Focus on risk-based financial services*”).

African Bank has its registered office and headquarters at 59 16<sup>th</sup> Road, Midrand, 1685, South Africa, telephone number: +27 11 256 9000; fax number: +27 11 256 9306.

### HISTORY

African Bank was incorporated in South Africa on 31 July 1975 as a limited liability company under South African law. The Bank was originally incorporated under the name “The African Bank of South Africa Limited” and was subsequently renamed “The African Bank Limited” on 20 February 1978. The Bank

thereafter changed its name from “The African Bank Limited” to “African Bank Limited” on 2 November 1999.

Prior to 1998, African Bank operated for 24 years as a small commercial bank with its roots in, and concentrating on, the historically disadvantaged market in South Africa. Following its acquisition by JSE-listed Theta Group Limited (ABIL’s former name) in 1998, African Bank was merged with King Finance Corporation Limited, Unity Financial Services Limited and Alternative Finance Limited, three loan finance companies owned by Theta Group Limited. At that time, non-core assets and certain former business activities of African Bank were disposed of, including the Bank’s retail deposit taking and transaction banking activities. Only business activities relevant and complementary to the core business of providing unsecured loans to individuals were retained.

In December 1999, Theta Group Limited was renamed “African Bank Investments Limited”.

## **CORPORATE STRUCTURE**

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

As at the date of this Base Prospectus, ABIL has 1,501,093,232 issued ordinary shares and 13,523,029 non-participating, non-cumulative, non-redeemable preference shares. The ordinary shares in issue increased by 685,281,693 as a result of the rights issue concluded on 9 December 2013. The table below sets out ABIL’s largest ordinary shareholders as at 30 September 2013:

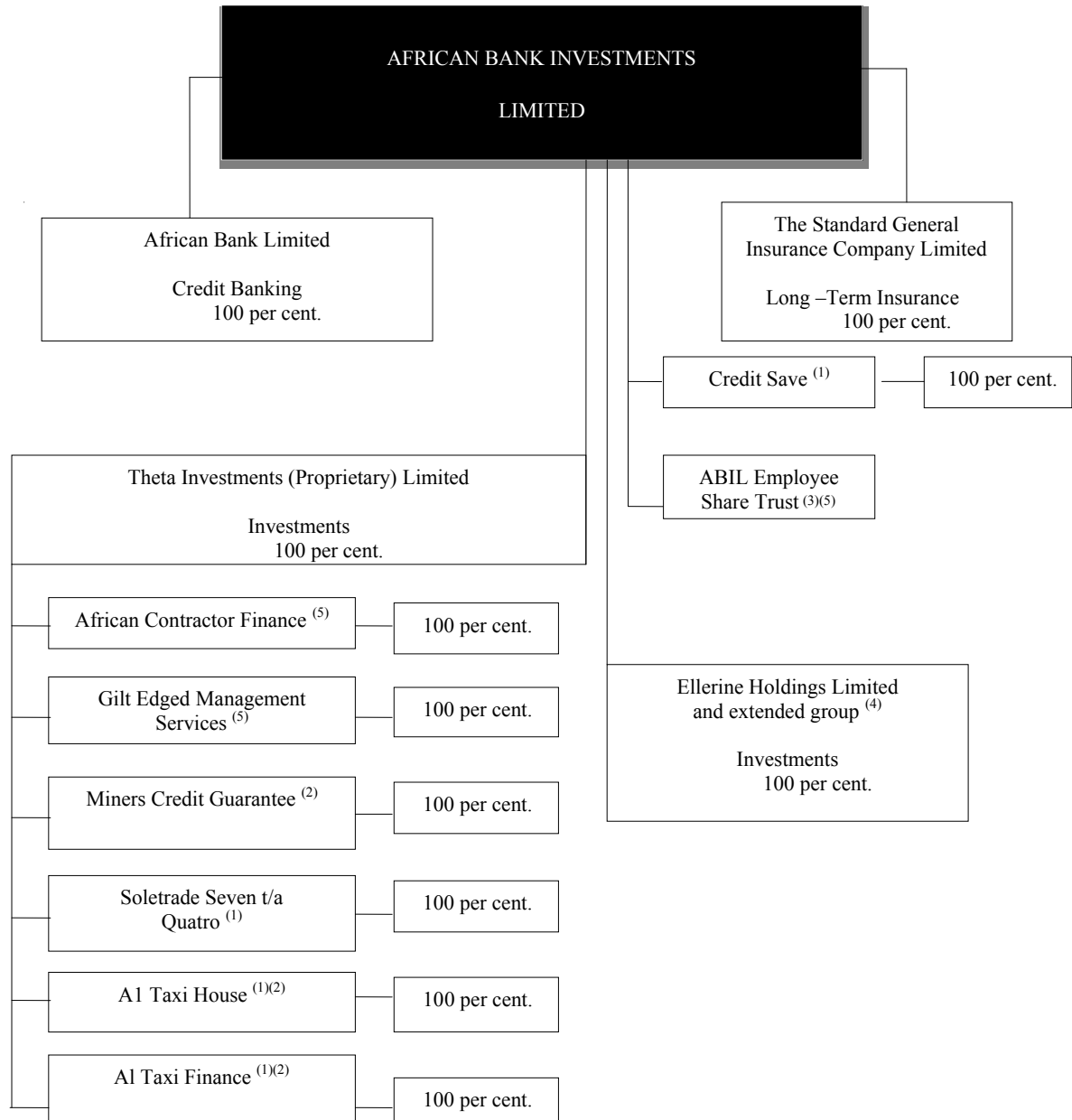
#### **Shareholders holding ordinary shares**

<b><u>Top Fund Managers</u></b>	<b><u>Holding</u></b>	<b><u>Percentage</u></b>
Government Employees Pension Fund (PIC)	97,398,837	11.9 per cent.
J.P. Morgan Asset Management	60,746,295	7.4 per cent.
STANLIB Asset Management	60,548,391	7.4 per cent.
Coronation Asset Management	49,556,092	6.1 per cent.
Eyomhlaba Investment Holdings	48,501,465	6.0 per cent.
Genesis Investment Management	43,060,357	5.3 per cent.

#### **Top beneficial shareholders**

Government Employees Pension Fund (PIC)	123,102,534	15.1 per cent.
ABIL’s BEE Programmes	74,342,273	9.1 per cent.
Liberty Life Association of Africa	39,520,456	4.8 per cent.
Investment Solutions	18,388,915	2.3 per cent.
Leon Kirkinis	16,731,875	2.1 per cent.

The following chart sets out the corporate structure of ABIL and its subsidiaries (the “**ABIL Group**”) as at the date of this Base Prospectus:



- 
- (1) Dormant.  
 (2) Has been divisionalised into African Bank Limited.  
 (3) Trust.  
 (4) The main operating subsidiary (100 per cent. owned) of Ellerines is Ellerine Furnishers (Proprietary) Limited.  
 (5) Being wound up.

## **STRATEGY**

African Bank's strategy, which is aligned to that of its controlling company ABIL, is to be the leading provider of unsecured, risk-based financial services in the South African credit market. African Bank seeks to expand within its chosen markets by continuing to grow its business and to offer a more competitive proposition to its customers. In order to achieve this strategy, African Bank seeks to build the largest advances book, client base and distribution presence within the Banks's target market through the provision of unsecured credit and various credit led products.

The key elements to African Bank's strategy are the following:

### **Maintaining a foundation of financial strength**

African Bank focuses on strengthening its capital base, developing new and alternative funding strategies, and diversifying its funding sources geographically, in order to achieve a balance between distributing attractive dividends to its shareholders and retaining earnings to support growth.

The Bank maintains a conservative approach to capital and liquidity management, which includes maintaining appropriate capital adequacy levels, prudent liquidity management targeted at maintaining a net positive liquidity gap across all periods, and a cautious dividend policy that conserves sufficient capital for growth. The success of this approach is reflected by the consistently available funding and overall reductions in the cost of funding over the past few financial years.

### **Improving the yield/risk relationship**

African Bank's scoring models were adjusted to optimise the yield/risk relationship during Financial Year 2013 in order to enhance returns. The Bank implemented a range of loan size and pricing changes to reduce exposure in less profitable market segments and shift the risk profile to lower risk. African Bank implemented a significantly improved proposition for low risk customers, including new products and distribution options, aimed at increasing the number and overall proportion of low risk customers. At the same time, loan sizes were reduced for medium and higher risk customers, which African Bank estimates will affect approximately 40 per cent. of customers who, as a result of these changes, will receive smaller loans, over shorter terms and with lower instalments. African Bank expects that these changes will improve its return on assets in the medium term.

### **Focus on risk-based financial services**

The board of directors of African Bank (the "**Board**") believes that it has implemented the majority of its envisaged strategic initiatives with regard to Ellerines. Over the past five years, ABIL has made extensive changes to the Ellerines business model to transform it into a viable standalone business. The financial services business was transferred to African Bank and, the price of credit was reduced substantially. In the past three years, of the 1,000 Ellerines stores, more than 500 stores have been refurbished, resited or replaced. The stock profile and product quality has been improved, and a state-of-the-art regional retailing distribution and logistics infrastructure has been established. Additionally, the Ellerines business has been substantially simplified, resulting in greater efficiencies in the Ellerines stores. The workforce has been decreased and, as at 30 September 2013, approximately 300 unprofitable Ellerines stores have been closed.

However a standalone product-based retail business does not fit the current strategic requirements of ABIL's risk-based financial services business model. ABIL has therefore decided to dispose of the furniture retail business, and ABIL is actively reviewing various options designed to accomplish this in an appropriate and timely manner that will optimise the strategic outcomes for both ABIL and Ellerines.

### **Enhancing collection activities**

African Bank seeks to continue to improve recoveries and enhance profitability through investment in and refinement of its collection activities. African Bank has enhanced its collection activities in a flexible and sustainable manner by dedicating a considerable amount of time towards improving its collection activities

through its banking distribution points. The Bank's call centre has been enlarged, bringing the total capacity to approximately 1,300 employees. As a result of such initiatives, collection ratios continue to improve from the lows experienced in December 2012 and January 2013. Collection activities, however, have not yet achieved the same levels as Financial Year 2012, primarily as a result of less early settlement of debt by other credit providers, but also because of constraints on the disposable income of consumers.

### **Delivering value to customers**

African Bank seeks to deliver market leading customer value and this strategy largely drives its activities. The Bank has traditionally focused on providing its customers with better value, while ensuring greater access to distribution points and convenience for both existing and new customers. However, the acquisition of Ellerines, along with steadily increasing levels of competition in the unsecured credit market, the benefits of rapid technological innovation, and the evolution of the needs and expectations of its customers have together prompted African Bank to augment its existing strategy with respect to its customers. This process includes product innovation, substantially increasing distribution capabilities and channels.

During 2013, African Bank launched new products into the market and introduced improvements to its current product offering. These include, among others:

- expanding its vehicle finance product;
- launching products such as "Change your term" under which a customer can extend the term of its loan to reduce instalment sizes, and "Choose your break", which is designed to encourage and reward good repayment behaviour, and offers a one-month payment break of the customer's choice on condition that loan repayments are up to date;
- introducing a new platinum credit card for its best customers;
- enhancing the credit life product and claims processes to enable faster resolution of claims;
- launching a pilot program that provides loans to non-South African customers residing in South Africa; and
- launching certain retail savings and investments products at the beginning of Financial Year 2013.

### **Maintaining a dedicated and motivated workforce**

African Bank values the engagement with its employees and believes that its long-term growth and success is strongly dependent on its ability to retain and develop a dedicated and motivated workforce. The Bank's strategy is to build an organisation that will remain at the forefront of innovation and value creation for all its stakeholders; by enabling its employees to fully understand and contribute towards its vision.

### **Focusing on optimising business efficiency and lowering costs**

African Bank regards a low cost structure as a key competitive strength and business imperative. African Bank's strong growth and increased distribution network gave rise to a substantial increase in operating expenses during Financial Year 2012. As a result, African Bank renewed its focus on improving efficiencies and returning the Bank to its historical track record of low annual cost growth.

## **BUSINESS OF AFRICAN BANK**

### **Introduction**

African Bank, as a registered bank under the Banks Act, offers competitively priced long-term and short-term loans to individuals, as well as credit card and credit life products to its customers. Personal loans granted by African Bank are predominantly used for, *inter alia*, housing and home improvements, household appliance purchases, vehicle purchases, education, emergencies and debt consolidation. The Bank's credit granting process involves extensive credit scoring, risk assessment and affordability calculation processes. As at 30 September 2013, the Bank had 2.7 million customers using 514 banking



distribution points, which were serviced by 5,230 members of staff. This reflects a 2 per cent. increase in the number of customers from 30 September 2012.

### Personal Loans

African Bank provides unsecured loans to lower and middle income customers in South Africa. The eligibility criteria for African Bank's loans require individuals to be formally employed and to have a bank account in South Africa. The Bank's loan products are typically term facilities, having maturities of between three and 84 months with fixed, equal monthly repayments. The average loan term granted in Financial Year 2013 was approximately 51 months (compared to 48 months in Financial Year 2012) and the average loan size was R13,182 (compared to R12,650 in Financial Year 2012).

The following table sets out information pertaining to new loans during Financial Year 2013 and 2012:

	For the year ended 30 September	
	2013	2012
Disbursements (being value of new loans granted) ( <i>R million</i> )	20,380	23,052
Number of new loans and credit cards ( <i>thousands</i> )	1,559	1,814
Average loan size ( <i>Rand</i> )	13,182	12,650
Average term ( <i>months</i> )	51	48
Loan approval rate ( <i>percentage</i> )	68	71
Number of new customers ( <i>thousands</i> )	479	573

### Credit Cards

In addition to African Bank's unsecured loan products, the Bank offers a variety of credit card products to its customers, ranging from entry level (blue) cards for its high risk customers, to gold cards for its low risk customers. It also introduced a new platinum card for its best customers during the latter part of Financial Year 2013. Each credit card is treated by African Bank as a revolving credit facility. The credit card products are unique in the South African industry in that, for most of the card products, the customer repays a fixed amount per month (based on the credit limit granted) regardless of the outstanding balance. This is done to assist customers with their budgeting for monthly expenses. African Bank believes it was also one of the first banks to offer credit card products to the low to middle income market and continues to be one of the key providers of credit cards to this substantially untapped sector.

Credit card disbursements during Financial Year 2013 decreased by 21 per cent., to R2,307 million (compared to credit card disbursements of R2,925 million during Financial Year 2012). In the same period, the number of new credit cards issued decreased by 21 per cent. These sales, together with improved utilisation on the cards, translated into a 12 per cent. growth in credit card advances, to R8.2 billion (compared to credit card advances of approximately R7.3 billion during Financial Year 2012).

The following table sets out a summary of African Bank's credit card portfolio for Financial Year 2013 and 2012:

	For the year ended 30 September	
	2013	2012
Disbursements (being value of new credit cards granted) ( <i>R millions</i> )	2,307	2,925
Credit card loan portfolio ( <i>R millions</i> )	8,151	7,300
Number of new cards issued ( <i>thousands</i> )	240	302
Total number of cards in issue ( <i>thousands</i> )	959	899

### **Credit life insurance**

Credit life insurance is sold by Stangen, a registered long term insurer, to African Bank's customers on an exclusive basis. The insurance policies sold by Stangen covers a customer's outstanding credit obligation on the Bank's loans to that customer for the duration of the loans, in the event of that customer's death, disability or retrenchment (essentially a form of dismissal or redundancy where the employee is dismissed as a result of the economic or other requirements of the employer and through no fault of the employee). The underwriting risk in the insurance portfolio is retained by Stangen, and is not reinsured.

### **Products launched in pilot**

#### ***Retail savings and investment products***

The Bank launched its retail savings and investment products on 1 October 2012. The offering is primarily web-based and investors are able to register, view products, apply for new products and view statements online ([www.africanbanksavings.co.za](http://www.africanbanksavings.co.za)). The product offering includes fixed deposits, flexible fixed deposits (where a portion of the deposit is available on notice) and notice deposits, and range in term from 32 days to 60 months. These products will further diversify African Bank's funding base and the Bank believes that it will provide an attractive alternative investment option for private retail investors wishing to diversify their investment portfolio. However, the Bank does not expect this to become a significant additional source of funding.

#### ***Funeral insurance***

In response to complaints by customers about the quality of funeral products available in the market, especially large scale repudiations and long delays in pay-outs, African Bank launched a funeral insurance product in Financial Year 2013, the Claim Express Funeral Plan, which pays claims within 24 hours or doubles the pay-out amount. This is the first stand-alone insurance product sold through African Bank distribution points. The product is underwritten by Stangen.

### **LOAN PORTFOLIO**

African Bank has only one category of advances product, being unsecured loans. As at 30 September 2013, African Bank's total gross advances to customers amounted to R59.0 billion, compared to R53.0 billion as at 30 September 2012, an increase of approximately 11 per cent.

### **Credit impairments for loans and advances**

Credit impairment provisions for loans and advances have increased by 8 per cent. from R9.8 billion in Financial Year 2012 to R10.6 billion in Financial Year 2013 against a background of a growth in loans and advances of 11 per cent. in Financial Year 2013.

The following table sets out the credit impairments for loans and advances for Financial Year 2013 and 2012:

	<b>As at 30 September</b>		
	<b>2013</b>	<b>2012</b>	<b>2012</b>
		<b>Restated</b>	<b>As published</b>
		<i>Audited</i>	
		<i>(in Rand millions)</i>	
Gross advances			
Performing	42,338	37,824	37,824
Non-performing	16,622	15,160	15,160
<b>Gross advances</b>	<b><u>58,960</u></b>	<b><u>52,984</u></b>	<b><u>52,984</u></b>
Partially written off advances (net realisable value)	1,321	1,659	2,143
Deferred administration fees	195	(18)	(18)
<b>Gross advances, including written off book at net realisable value</b>	<b><u>60,476</u></b>	<b><u>54,625</u></b>	<b><u>55,109</u></b>
Impairment provisions and credit life reserves			
Balance at the beginning of the period	9,825	7,453	6,643
Impairment provisions raised	9,470	5,103	5,458
Bad debts written off (gross)	(10,229)	(4,984)	(4,984)
Bad debts rehabilitated	1,500	2,253	1,862
<b>Total impairment provisions</b>	<b><u>10,566</u></b>	<b><u>9,825</u></b>	<b><u>8,979</u></b>

Income statement charges	For the year ended 30 September		
	2013	2012	2012
		Restated	As published
	<i>Audited</i> (in Rand millions)		
Impairment provisions raised	9,470	5,103	5,458
Bad debts recovered	(374)	(288)	(288)
<b>Charge for bad and doubtful advances</b>	<b><u>9,096</u></b>	<b><u>4,815</u></b>	<b><u>5,170</u></b>

Ratios	For the year ended 30 September		
	2013	2012	2012
		Restated	As published
NPLs as a percentage of gross advances	28.2 per cent.	28.6 per cent.	28.6 per cent.
Total impairment provisions as a percentage of NPLs	63.6 per cent.	64.8 per cent.	59.2 per cent.
Total impairment provisions as a percentage of gross advances	18.8 per cent.	19.2 per cent.	17.2 per cent.
Income statement charge for bad debts as a percentage of average gross advances	15.5 per cent.	10.1 per cent.	10.8 per cent.
Gross bad debts written off as a percentage of average gross advances	17.4 per cent.	10.5 per cent.	10.5 per cent.
Bad debts rehabilitated as a percentage of average gross advances	(2.6 per cent.)	(4.7 per cent.)	(3.9 per cent.)
Net bad debt written off as a percentage of average advances	14.9 per cent.	5.7 per cent.	6.6 per cent.

#### Asset quality

Non-performing loans (“NPLs”) are defined as loans and advances that have more than three cumulative instalments in arrears. Once a loan is classified as an NPL, a provision is made for such NPL in the Bank’s accounts. In September 2013, as described in the trading statement issued by the Bank on 25 October 2013, the Bank adopted a more conservative approach in terms of write-offs and implemented two policy changes in order to ensure that NPLs carried into Financial Year 2014 are of an improved quality. The Bank has reduced the period before write-off from 17 months of non-payment to 12 months of non-payment. This policy change resulted in an additional write-off of R1.3 billion during Financial Year 2013. In addition, the Bank has identified certain NPLs within future credit portfolios and accelerated write-offs in respect of such NPL’s amounting to R1.7 billion. This has had the effect of reducing the NPL portfolio by R3.0 billion. Despite the fact that such loans are recorded as bad debts for accounting purposes, they are still

followed up for collection. Of the loans that are classified as NPLs, the Bank has historically recovered approximately 40 per cent. of the amounts outstanding on such loans.

The level of NPLs decreased as a percentage of gross advances for Financial Year 2013 to 28.2 per cent.(compared to 28.6per cent. for Financial Year 2012). Impairment provisions increased by R741 million in Financial Year 2013, resulting in an NPL coverage ratio of 63.6 per cent.(compared to 64.8 per cent.for Financial Year 2012). The Bank wrote off R10.2 billion in NPLs during Financial Year 2013 as compared to R5.0 billion for Financial Year 2012.

## COMPETITION

### Competitors

African Bank is subject to competition from other major, traditional banks operating in South Africa, including competitors that have greater financial and other resources than African Bank. As at 30 June 2013 in South Africa, there were 16 registered banks, 14 branches of foreign banks, three mutual banks and 41 representative offices of foreign banks registered with the office of the Registrar of Banks. The largest competitor group to African Bank within the consumer credit market in South Africa comprises the various retailers who provide their customers with credit so as to facilitate the purchase of clothing, furniture and appliances. However, no single retailer has a leading share of this market, and, accordingly, no single retailer can be identified as a stand-alone key competitor of African Bank.

Banks that provide credit to their customers comprise the second largest group of African Bank's competitors. The following table sets out the respective market shares of African Bank and the largest banks in South Africa in relation to loans and advances to households as at 30 September 2013 and 30 September 2012:

<b><u>Bank</u></b>	<b><u>Loans and Advances</u></b> (percentage)	
	<b>30 September 2013</b>	<b>30 September 2012</b>
African Bank	30.8	30.0
ABSA Bank Limited	9.4	11.1
Nedbank Limited	12.4	14.8
The Standard Bank of South Africa	14.1	13.2
First National Bank Limited	12.7	12.3
Capitec Bank	18.1	16.3
Investec Private Bank	1.6	1.4
<b>Total</b>	<b><u>99.1</u></b>	<b><u>99.1</u></b>

*Source: SARB (BA 900 Submissions)*

### Competitive Strengths

African Bank believes that it has a number of key strengths that allow it to compete effectively within its chosen markets.

### ***Focus on core competence of unsecured lending***

African Bank's focus on unsecured lending provides for a business model that avoids unnecessary complexity and allows for innovation through the continuous gathering and analysis of data. The unsecured lending customer is the focal point of African Bank's product offerings and marketing efforts, and this focus is not obscured by the demands of other activities conducted by more traditional banks. African Bank assumes credit risk, and seeks to mitigate, to the extent achievable, other financial risks, such as interest rate, foreign exchange, tax and liquidity risks. The experience and expertise of African Bank's management team in the business of unsecured lending strengthens the Bank's ability to focus on this segment of the credit market. The majority of the management team of African Bank's unsecured lending business has been working for the Bank for a number of years and, accordingly, has deep experience in managing the business through the credit cycles.

### ***Leading market position in unsecured lending***

As at 30 September 2013, African Bank's market share of the unsecured "bank provided" personal loans market and the credit card market in South Africa (calculated by the Bank on the basis of the BA 900 data published by the SARB) was 30.8 per cent. and 9.9 per cent., respectively. Since 1998, African Bank has been one of the leaders in the development of the unsecured lending market in South Africa, and it believes that it has the scale and technical expertise to remain a pioneer in opening up new market segments within the unsecured lending market. In Financial Year 2013, 70.95 per cent. of the average monthly disbursements were to clients that have previously been African Bank customers, which illustrates the strong customer loyalty that it enjoys.

### ***National, diverse distribution network***

African Bank had in excess of 514 banking distribution points as at 30 September 2013 covering both rural and urban markets across all regions of South Africa. The network includes, among others, stand-alone African Bank branches and African Bank branches and kiosks located within the Ellerines stores. This substantial physical distribution network is further supplemented by electronic distribution through web-based internet sites and mobile phone applications which provide the Bank's customers with convenient 24/7 access. African Bank believes that the sophistication of its electronic distribution system and the breadth of its physical distribution network gives it a competitive advantage.

### ***High growth industry***

African Bank operates in the high growth end of the South African consumer credit market where improvements to living standards have been most rapid. According to the South African Audience Research Foundation ("SAARF"), consumers moving up from the lowest income groups to middle income groups, increased the percentage of the population in middle income groups (LSM group 5-8), from 36.9 per cent. of the population in 2001 to 59.8 per cent. of the population in 2012. As living standards increase in lower income groups and new customers enter into the credit market, African Bank believes that its experience, scale, existing product platform and deep understanding of the industry will allow it to capitalise on this growth profitably.

### ***Advanced risk assessment, pricing and credit scoring processes***

African Bank uses an advanced, proprietary credit scoring system which it applies to assess the creditworthiness of individual customers. This system has evolved over many years and allows the Bank to make credit decisions for a customer and transfer loan funds to a customer's bank account within a very short period of time. African Bank's centralised credit underwriting allows for consistent credit assessment and enables timely adjustments for changes in the economic and market environments. The Bank's experience in credit scoring has also led to the implementation of scoring models in other aspects of its

business, notably its collections activities, which has led to substantial gains in efficiencies and in targeted collections practices.

***Cost and investment discipline***

African Bank views the interplay between risk, cost efficiency and the weighted costs of capital as fundamental to its pricing strategy and ability to provide value to its customers. In this regard, striving to manage and maintain its relatively low cost structure (measured as a percentage of total assets and total income) as compared to industry norms is a priority. African Bank focuses on cost discipline while continuing to invest appropriately in targeted areas for growth and efficiency.

## CAPITAL ADEQUACY

The Bank operates subject to regulatory capital requirements. The Banks Act requires African Bank to maintain a minimum level of capital.

The following table sets out African Bank's actual capital position as at 30 September 2013 and 30 September 2012, respectively, employing the calculation methodology required by the SARB:

	As at 30 September 2013	As at 30 September 2012
		Restated
	<i>Audited</i>	
	<i>(in Rand millions)</i>	
<b>Total assets and commitments</b>		
On-balance sheet assets	63,705	58,064
Off-balance sheet assets	7,889	1,436
<b>Total</b>	71,594	59,500
Risk-weighted assets	<b>46,533</b>	<b>40,549</b>
<b>Total capital</b>		
Tier 1 (Share capital)	121	121
Tier 1 (Primary reserves)	7,185	7,419
Tier 1 (unappropriated profits )	-	691
Tier 2 (subordinated debt instruments)	3,287	3,390
Tier 2 (other)	585	123
<b>Total</b>	<b>11,178</b>	<b>11,744</b>
<b>Capital adequacy</b>		
Tier 1 (Share capital)	0.3 per cent.	0.3 per cent.
Tier 1 (Primary reserves)	15.4 per cent.	18.3 per cent.
Tier 1 (unappropriated profits )	-	1.7 per cent.
Tier 2 (subordinated debt instruments)	7.1 per cent.	8.4 per cent.
Tier 2 (other)	1.3 per cent.	0.3 per cent.
<b>Total</b>	<b>24.0 per cent.</b>	<b>29.0 per cent.</b>

## RISK MANAGEMENT

### Overview

The Bank believes that the management of risk is fundamental to its strategy. The Bank's risk management approach is a board approved risk management methodology and philosophy to ensure adequate and effective risk management. The Bank believes that the risk management methodology provides regulatory



principles that, together with the risk management approach, will ensure optimum return to the Bank through the application of the following core principles:

- clear assignment of responsibilities and accountabilities;
- group-wide risk management framework and process;
- the identification of uncertain future events that may influence the achievement of strategic objectives; and
- the integration of risk management activities within the Bank.

### **Risk Management Philosophy of the Bank**

Risk in African Bank is managed at the ABIL Group level. The risk management governance structures of the ABIL Group cascade from ABIL's board to its subsidiaries, including African Bank. Therefore, African Bank's risk management policies are consistent with those of the ABIL Group.

ABIL's board believes that its objectives can only be achieved by accepting a certain level of risk. ABIL's board of directors has strategically accepted a higher risk appetite for credit risk than most other credit lenders. This higher risk appetite is informed by an effective and efficient risk management philosophy and framework within the ABIL Group. ABIL views risk management as an inherent part of running a successful business, and seeks both to mitigate risk as well as to leverage risk in order to exploit potential opportunities. This approach provides a link between risk management and maximising shareholder value.

Policies and procedures are agreed for the ABIL Group to ensure control over all of ABIL Group's risk exposures. The ABIL Group's approach to risk management is based on governance processes and relies on both individual responsibility and collective oversight, supported by comprehensive reporting. The ABIL Group applies a logical and systematic methodology to identify, analyse, assess, mitigate and monitor all known risks. The critical success factor is the alignment of the key fundamentals of governance, business objectives, stakeholders, ethics, policies, standards, strategies and compliance.

African Bank's approach to risk accepts and embraces risk management as a core competency that allows the business to optimise risk taking through objectivity and transparency, and seeks to ensure effective and efficient risk pricing in order to optimise returns within a chosen risk appetite.

African Bank's processes and procedures enable the board of directors of African Bank to assess key risks facing it. Existing controls are assessed on a regular basis and if necessary, adjusted. Thereafter, reports are generated and reviewed at regular intervals by the various sub-committees of the Board to enable effective monitoring of risk levels.

The Bank has completed the implementation of governance standards for all major risk types identified by it. All standards are applied consistently across the Bank and are approved by the Board and ABIL's board of directors, either through the Risk and Capital Management Committee (as defined below) or through the Audit Committee (as defined below), as appropriate.

### **Risk management objectives**

The Bank's risk management objectives are to ensure proactive identification, understanding and assessment of risks. This is executed through various risk management and governance mechanisms and risk management oversight bodies. These include:

- independent board committees (audit, risk and capital management, remuneration, directors' affairs, ethics and sustainability);
- cooperation in respect of risk management within all key operations throughout the Bank;

- fraud risk management through an independent forensic department; and
- an operational risk department operating as a partner to all business units to facilitate, coordinate and monitor effective risk management.

The risk management process is continuous, with well-defined procedures that support decision making by contributing a greater insight into risks and their potential impact. One of the objectives of the Bank's risk management philosophy is to ensure that mitigating strategies are geared to deliver reliable and timely risk management information.

## **Risk Governance Structure**

### ***Board and senior management***

The Board is ultimately responsible for the operations and financial stability of the Bank and approves the overall business strategy, which includes the overall risk policy and management of internal procedures. Senior management are responsible for overseeing the day-to-day management of African Bank.

Strong Board and senior management oversight forms the cornerstone of an effective risk management policy. The individuals comprising the Board and senior management are responsible for overseeing the development and maintenance of a framework to effectively manage risk within the ABIL Group. The internal risk measurement system is closely integrated into the day-to-day risk management processes of African Bank. Its output forms an integral part of the process of monitoring and controlling African Bank's risk profile.

The Board delegates the oversight responsibility to its Risk and Capital Management Committee with an annual review by the full Board. This is to be supported with reporting of business unit risk exposures and reports from internal audit on the effectiveness of the function.

### ***Sub-committee oversight***

The Board, in discharging its risk management responsibilities, is supported by two sub-committees, namely the Audit Committee and the Risk and Capital Management Committee. These committees are the oversight bodies for the implementation of adequate and effective internal control mechanisms as well as efficient risk management frameworks. They also review the overall effectiveness of risk management structures and response strategies.

### ***Independence of the risk management function***

The Banks Act requires an independent risk management function that is responsible for the design and implementation of the Bank's risk management framework. The function must be able to exercise professional judgment, make impartial recommendations and implement an effective framework for identifying, managing and monitoring risk. It must also be familiar with the risk profile and control structure of the business units.

African Bank's risk management policy consists of the following components:

- internal audit;
- forensic services;
- compliance; and
- legal.

## **Key Strategic Risks Identified**

The following key risks have been identified and the approach taken by African Bank to mitigate against its exposure to these risks has also been highlighted.

### ***Operational risk***

Operational risk is a risk of direct and indirect loss usually resulting from inadequate or failed internal processes, systems, people or external events.

While it is virtually impossible to totally eliminate operational risk, it is the duty of operational risk management to ensure that operational risk is well mitigated and properly managed.

The Bank has developed an operational risk framework and policy which was approved by the Board. The objective of the operational risk management function is to:

- focus on key risks in the group as well as individual business units;
- ensure that actual and potential operational risks are consistently identified, measured, monitored and managed in order to prevent unnecessary losses;
- develop policies, standards, procedures and systems to maintain and enhance the management of operational risk with emphasis on prevention of losses;
- continue to improve awareness and an appropriate operational risk management culture and accountability; and
- ensure regulatory compliance.

The operational risk function is responsible for:

- developing operational risks policies and procedures;
- giving guidance to ensure adequate implementation of policies and procedures;
- mapping business processes;
- facilitating risk identification;
- optimising business process for efficient risk management;
- preparing consolidated reports for executive, risk and board committees including loss database, overall risk profile and analysis;
- challenging business units/risk owners in identification of risks; and
- monitoring key risk indicators.

### ***Economic environment***

African Bank's growth and profitability is inextricably linked to the prosperity of the South African economy and its participants. Inflation and unemployment are two key indicators of increasing vulnerability in African Bank's targeted market segments. To mitigate this risk the Bank constantly tracks leading indicators in the economic environment that might suggest symptoms of economic or financial distress in those segments of the market that it targets. The Bank adjusts its underwriting and affordability criteria accordingly.

### ***Competitive landscape***

Providers of unsecured lending are increasingly entering the market. This has resulted in a sharp increase in exposure to unsecured lending in South Africa, prompting calls from various government organisations including Parliament for much closer scrutiny of the unsecured lending industry. In light of this increased competition, as well as increased pressure on household spending, African Bank has identified and continues to manage this potential risk, in order to prevent the dilution of its market share. In addition, the Bank continues to engage closely with the South African Government and regulators to make sure that information in relation to its unsecured lending is shared, data is gathered and emerging trends identified. The Bank has further improved its own competitiveness through:

- active future target market segmentation;
- a substantial branch expansion program;
- a range of new and innovative products; and
- a new front end that will improve service to customers.

### ***Employees***

The long term success of any organisation is predominantly dependent on the quality and retention of staff and their commitment and dedication to the business. The failure to retain skilled employees or to keep them motivated may lead to increased costs and deteriorating performance. Recent increase in competition and the substantial growth in African Bank's business has made the recruitment, retention and employee satisfaction a top priority for the Bank.

A number of strategies have been implemented to mitigate this risk, including an appropriate suite of reward and benefit structures for existing employees and ongoing refinement of an attractive employee value proposition. African Bank spends a significant amount of time and energy in dialogue with its employees, so as to ensure that they remain motivated and informed of the its strategy.

### ***Scalability of the business***

The Bank has substantial goals for the growth of the business over the short to medium term, and it is critical that all aspects of its business grow at the same pace, to ensure the success of its business model. To mitigate this risk, the Bank has identified certain initiatives that are central to its growth aspirations, such as:

- a more refined customer segmentation matrix;
- the role of technology in its future;
- its operating model;
- its financial model;
- its capital and funding;
- a redefined customer value proposition; and
- its employee strategies.

The Bank has undertaken a detailed project to review each of these aspects in terms of, amongst others, structure and scalability.

### ***Credit risk***

Key to the success of African Bank's business, is the effective management of its credit exposures. The ongoing development of the Bank's underwriting models is dependent on the effective monitoring of credit risk metrics and trends. These metrics and trends inform the continual changes necessary to calibrate the underwriting models correctly and, to incorporate the effect of new risks as they emerge. This risk, together with the measures taken to mitigate against it, is discussed in further detail under the "*Credit Risk*" section below.

### ***Capital, liquidity and funding risk***

The Bank is required to maintain adequate capital levels to safeguard its operations and stakeholders against liquidity risk and to enable growth.

Liquidity risk includes asset liability mismatch risk. The Bank manages liquidity risk significantly in excess of regulatory requirements and includes the requirements of stakeholders, including rating agencies and depositors, in determining its liquidity risk profile.

The Bank is exposed to liquidity risk arising from the need to finance its ongoing operations and growth. If the Bank is unable to obtain sufficient funding due to adverse conditions in the capital markets, it may not be able to raise sufficient funds to achieve expected growth, fund acquisitions or to meet its ongoing financing needs. This risk together with mitigation measures is discussed in further detail under '*Liquidity Risk*' below.

### ***Information technology risk***

Uninterrupted and efficient availability of information technology services has become indispensable and forms an integral part of the daily operations and strategy execution of the ABIL Group. A regular assessment is undertaken by senior management to mitigate any risk of interruptions or non-availability of information technology services. More broadly, this assessment ensures alignment between the strategy and long term business needs of the ABIL Group and the ability of the information technology capacity to provide a cost effective execution thereof.

System capacity is regularly assessed and upgraded. Required people skills are regularly assessed to ensure the Bank stays abreast of developments and to ensure that optimum efficiency standards are maintained. The Bank has made considerable investment in its IT environment to ensure the availability of appropriate resources to provide the business with the expected levels of service.

### ***Regulation***

Non-compliance with existing regulation and lack of awareness of developments in regulatory frameworks may have a severe impact on the reputation and viability of the organisation. To mitigate such regulatory risk, the Bank has adopted a rigorous approach to all its regulatory responsibilities to ensure its due compliance and implementation with applicable regulations. Compliance risks are managed through internal policies and processes, which include risk management, legal and compliance.

The Bank has an ongoing engagement with the relevant regulatory authorities to keep apace with proposed regulatory changes and also understand the impact of such regulatory changes to its business. This enables the Bank to assess, in a timely manner, the preparation required to be made by it to implement the necessary changes, pursuant to such change in law or regulations.

### ***Society***

Failure of the Bank continually to consider its impact on society and its responsibility as a corporate citizen may lead to reputational risk and missed opportunities for the organisation to contribute to the growth of the nation. The Bank's vision is to have a positive impact on its society. The ABIL Group continuously evaluates its impact across all dimensions and uses its size, influence and financial strength to be a positive force in the development of South Africa.

### ***Growing the customer base***

The Bank's strategy is to continually improve its customer value proposition by translating scale and critical mass into greater customer value. To achieve and maintain this scale, the Bank's focus is to broaden its customer base in its chosen market segment. While attracting new clients remains core to growing the customer base, the Bank also emphasises customer retention and customer rehabilitation as part of its sustainability strategy. Focusing on new customers and growing customer numbers is necessary but not sufficient without focusing on customer retention.

### ***Managing costs***

As the Bank's business experienced significant growth in the last couple of years, costs have also increased compared to prior years. The Bank places deliberate focus on cutting costs in appropriate areas of its business while investing in other essential areas. Accordingly, substantial focus has been placed on rightsizing the cost base of the business and introducing efficiencies following the rapid expansion of the distribution network. A cost committee has been set up to oversee budgetary processes, cost monitoring and all cost intensive projects.

### **Credit Risk**

The provision of unsecured loans and credit card finance remains the primary financial opportunity within the Bank. Accordingly, core competencies in terms of the underwriting, pricing and collection of unsecured credit are constantly progressed in order to deliver value to customers and create shareholder value.

As business volumes have grown, it has become increasingly necessary for purposes of both making credit decisions and pricing, to standardise and automate the process. As a result, the focus has been on maintaining and improving:

- proprietary scoring models for underwriting, affordability assessment, portfolio performance and collection activity;
- customer and risk focused product development together with appropriate risk-based pricing to minimise cross-subsidation;
- effective monitoring and understanding of the sensitivity of credit risk metrics trends to various risk parameters; and
- the architectural objective of a single set of business rules across all portfolios, delivered through a single decision making process.

*The credit risk governance frameworks of Elleries and African Bank have been aligned to ensure consistency. Furthermore, the underlying credit policies, systems and process continue to be synchronised and improved.*

### ***Continuous development of proprietary credit scoring (underwriting) models***

The Bank views the taking of credit risk as one of its key competitive advantages in the market in which it operates. African Bank has developed proprietary probability models to predict both default risk and costs incurred by various customer segments. In this regard, the Bank's approach to the underwriting of credit is more aligned to that of insurance underwriting models, where there is an expectation that losses will occur and the key is to accurately predict the probability of such a loss occurring within a customer segment rather than trying to avoid it.

African Bank has, over a number of years, developed its own proprietary credit scoring and underwriting models, which are continuously refined or reinvented in order to segment the spectrum of risk more finely and more accurately. Key to this process is relevant and accurate data, and the Bank has many years of

historical information, at an individual loan level and at portfolio level, which it uses to both underwrite and price its products. Scorecard change cycles tend to span two years, and this trend is again proving accurate. The current generation of application scorecards have proven to be more adaptive than originally anticipated and remain useful for their intended purpose.

### ***Product development and appropriate risk based pricing***

Whereas access to credit is optimised through the underwriting process, the customer value proposition is enhanced through the appropriate construct of product terms and the pricing thereof.

There is an important interplay between capacity to assume risk and cost efficiency embedded within the Bank's underwriting process as well as the relationship of both of these with its weighted average cost of capital ("WACC"). These three components comprise the building blocks of the Bank's pricing and product models.

This principle has been a key strategic issue within the ABIL Group over the last eight years as it has moved along its price volume elasticity curve. Greater risk segmentation based on a differentiated probability of default across the customer base was a vital step in this process, as each risk segment has its own risk versus cost relationship, and the tipping point will occur at different points along this volume journey.

In developing its product terms, loan sizes and pricing, African Bank bases the price of each loan on the building blocks of the WACC, cost absorption and risk for the particular loan. Therefore, for a loan to a high-risk customer the WACC is weighted with a higher capital allocation and the cost as a proportion of the loan is higher as these loans are generally smaller and of a shorter duration. The converse is true for a low risk loan.

As loan sizes and/or term increase there is improved cost absorption, however at the same time risk increases. Initially, for every unit increase, the rate of improvement in cost absorption outweighs the incremental increase in risk, until a tipping point is reached and the relationship inverts. Given that the risk curve will also oscillate due to changes in the credit cycle, the business endeavours to position its underwriting models on the conservative side of the apex, in order to optimise this relationship.

Underwriting is done within a strict risk tolerance as approved by the board subcommittee that deals with risk matters. The minimum lifetime return on equity as well as the level of cross-subsidisation is described in the risk appetite. During Financial Year 2013, extensive analysis was done to quantify the elasticity of demand to price, term and loan size. These insights will be used in the future to optimise margins and take-up of credit granted.

### ***Effective monitoring of credit risk metrics and trends***

Key to the ongoing development of African Bank's underwriting models is the effective monitoring of credit risk metrics and trends, as these inform the continual changes necessary to calibrate the underwriting models correctly and to incorporate the effect of new risks as they emerge. African Bank compiles an extensive monthly operations credit pack including refinement proposals based on the Bank's management's understanding of risk and volume sensitivities which is reviewed by its operational credit committee (the "**Operational Credit Committee**"). These proposals then form the basis of a monthly review by the strategic credit committee (the "**Strategic Credit Committee**"). The Strategic Credit Committee in turn reports its findings to the Risk and Capital Management Committee on a quarterly basis. The objective of these metrics is to provide the Bank with a substantive basis for the early identification of key trends and risks that enable timely modifications to the underwriting processes, ensuring that unexpected outcomes do not adversely impact the business.

In terms of trends in the existing loan book, African Bank tracks credit vintages as a better and more immediate measure of portfolio risk than NPLs or arrears ratios. Credit vintage curves are analysed to track each month's new loans as a separate portfolio and plot the cumulative proportion of each portfolio that

migrates into various levels of default status as time passes, as measured by the number of missed contractual instalments.

Credit vintage curves are produced for every product, term and risk group combination, on a 30 and 90 days in arrears basis, to evaluate trends on a more granular basis, which may be missed at a portfolio level. Credit vintage curves can be best described as a risk emergence measurement tool, through which the portfolio is analysed in order to identify and understand the pockets/segments/micro-segments of risk. Where the vintage trend is lower than expected, additional risk may be taken and where risk is emerging more steeply than expected, remedial action can be taken.

### ***Affordability management***

The affordability calculations utilized within the risk framework include a number of buffers to ensure that African Bank's lending remains both sustainable in terms of repayment, and compliant in terms of the requirements of the NCA. These buffers are generally risk based to ensure that, as risk is extended, a larger buffer is evident.

In addition to the risk buffers, the living expense model, which is used to determine a reasonable minimum living expense level for the applicant based on age, income and gender, provides further comfort in this regard.

The risk buffers, in conjunction with the living expense model, continue to add an element of conservatism to the affordability calculations and are increased/decreased as the vintage micro-segments indicate either low or high risk.

### ***Collection trends and adequacy of provisions***

From a provisioning perspective, actual receipts relative to expected cash flows and the migration of loans into NPLs (and between collection platforms) are monitored on a monthly basis to discern emerging trends and to inform credit decisions and provisions.

Impairment provisions for the African Bank portfolio are determined in accordance with the requirements of IAS39. The Bank is comfortable that its IAS39 models accurately reflect the risk in the portfolios and forecast the future cash recoveries on NPLs. The cash recovery forecasts underlying the IAS39 models are regularly back-tested against historical cash receipt levels and are also adjusted to reflect management's expectations around future cash collections levels.

### ***Capital, Liquidity and Funding***

The Bank has a conservative capital and liquidity risk policy. Risk governance is applied through the monthly assets and liabilities committee and capital management forum, and reported to the Risk and Capital Management Committee.

### ***Basel III***

Basel III places enhanced emphasis on the consistency and quality of capital and on curtailing, among other things, liquidity risk, through the imposition on banks of a short term Liquidity Coverage Ratio (the "LCR") and longer dated Net Stable Funding Ratio (the "NSFR"). As stated above, the Basel III requirements have been implemented in South Africa and are contained within Regulation 38. It identifies, through the LCR, the amount of unencumbered, high quality liquid assets a bank is required to hold in order to offset the cumulative net cash outflows it would encounter under an acute short-term (30 day) stress scenario. It measures, through the NSFR, the amount of longer-term, stable funding sources required by a bank given the liquidity profile of its assets and the contingent liquidity risk arising from off-balance-sheet exposures. Through the NSFR, the Regulations Relating to Banks introduces higher quality capital requirements both through increasing the amount of common equity and through the quality of non-common equity ratios, with the introduction of a requirement for loss absorption. In addition, Regulation 38 introduces two new buffers: a capital conservation buffer of 2.5 per cent. (if a bank enters the range of this



buffer, it is subject to dividend and bonus restrictions) and a countercyclical buffer that ranges between 0 per cent. and 2.5 per cent., depending on whether the rate of credit extension exceeds the growth of the real economy. These buffers are due to be phased in, in South Africa, from 2016 and the end of 2018, only to be fully effective from 1 January 2019.

Regulation 38 also introduces new features for non-common equity instruments. These instruments must be “loss absorbent”, that is, convertible to ordinary shares or written-off at the option of the SARB upon the occurrence of a “trigger event”. A relevant trigger event occurs at the earlier of (i) a determination by the SARB that a write-off, without which the Bank would become non-viable, is necessary or (ii) where the Bank’s CET1 Ratio is equal to or less than 5.875 per cent. The Bank is extremely active in industry discussions to finalise the regulations relating to this new style of capital and provides for the potential likely outcomes into its strategic capital planning.

Regulation 38 requires that non-common equity capital instruments issued before 1 January 2013, which do not meet the prescribed loss absorbency criteria, be “grandfathered” or phased out over a 10-year period from 1 January 2013. All of the Bank’s capital instruments issued prior to 1 January 2013 are eligible for grandfathering. The ability of the Bank to replace these instruments with “loss absorbent” instruments over the ten year period will depend on the extent to which the text of the amended regulations and the Banks Act has been finalised to enable the issue of such instruments in significant volumes, the appetite of the capital markets for these types of instruments (given that all banks will be coming to the markets to make such issuances) and the ability to issue such instruments at a price mutually acceptable to African Bank and its investors.

The Bank remains well capitalised in line with its risk appetite and comfortably above regulatory minimum requirements, and is well positioned for the requirements of Regulation 38. Capital planning has also been done on a Basel III basis and in line with the draft regulations to the Banks Act as they develop, as well as Regulation 38.

The Bank manages its targeted capital levels and mix, both at group and regulated entity level, taking into account regulatory requirements, internal capital requirements and other stakeholder expectations, including rating agencies and shareholders.

#### ***Recent rights offer by ABIL***

In August 2013, the board of directors and executive management of ABIL resolved to strengthen ABIL’s capital base in anticipation of the phased capital requirements under the Regulations Relating to Banks.

On 5 August 2013, ABIL announced its intention to raise R5.5 billion in equity capital through a rights offer (the “**Rights Offer**”) which opened on 18 November 2013.

The proceeds of the Rights Offer were received on 9 December 2013, and ABIL successfully raised R5.48 billion at a subscription price of R8 per rights offer share. The Rights Offer was oversubscribed by approximately 64 per cent.

The capital raised will strengthen ABIL’s balance sheet and provide a robust financial position for the coming years. The proceeds of the Rights Offer will serve to improve ABIL’s and African Bank’s capital ratios under the Regulations Relating to Banks, particularly the CET1 Ratio, which is expected to provide additional support and confidence to ABIL and African Bank’s funders.

#### ***Liquidity and Funding Risk***

Liquidity risk represents the potential that the maturity profile of the Bank’s asset and liability portfolio is such that it is unable, at some point in the future, to meet its maturing liabilities and other operational demands for cash with available cash resources. The Bank has continued to deploy an appropriate liquidity profile for the year under review, given the fairly robust sales environment on the one hand and the still volatile capital markets conditions on the other hand.

The level of total Bank funding has increased to R54.4 billion in September 2013, up 18 per cent. from R46.0 billion in the prior year, primarily as a result of the growth in the advances book. The cash reserves have remained fairly steady on a yearly basis, being R3.0 billion as at 30 September 2013 against R2.9 billion for the corresponding date in 2012.

Notwithstanding the increase in the absolute level of the Bank's funding, the average funding cost has fallen by an absolute 0.6 per cent. Over the year, as a result of the larger funding base, the interest expense has increased, to R4.5 billion in Financial Year 2013 from R3.8 billion in Financial Year 2012.

African Bank targets primarily long term wholesale funding sourced from a broad base of large financial institutions and asset managers in the local and offshore markets. The key funding and liquidity strategies are as follows:

- between 45 per cent. and 60 per cent. of funding is targeted to be raised via the Domestic Programme and this Programme. Since inception of the Domestic Programme in 2001 and as at 30 November 2013 the Bank has issued 45 listed bonds to the value of R28.6 billion under the Domestic Programme, with maturities ranging from six months to seven years;
- between 40 per cent. and 55 per cent. is funded via the internal treasury division, with a diverse range of institutional and money market investors on a day-to-day basis. The Bank relies on minimal funding from the interbank market, although negotiations are currently underway to secure several committed inter-bank facilities for African Bank;
- the Bank enjoys significant relationships with global development finance institutions, which have provided substantial levels of unsecured subordinated funding to date;
- as at 30 November 2013, this Programme had been utilised on seven occasions since it was established for a total of U.S.\$735 million, CHF 380 million and R150 million. It is likely that this Programme will provide 20 per cent. to 30 per cent. of total funding from the capital markets in Europe and Asia in the years ahead;
- the Bank strives to maintain a positive liquidity gap and has continued to target the ratio of average duration of its liabilities exceeding the average duration of its assets. This ensures that in the short to medium term, cash is flowing in from assets faster than it is flowing out from maturing liabilities, thus avoiding a potential liquidity crisis. As the Bank continues to grow its global reach into diverse pools of funding, it may well be appropriate to reduce the historically very conservative average duration of its liabilities, but this will be conservatively managed in the years that lie ahead. The Bank manages liquidity on a rolling 3-month basis, whereby it maintains sufficient cash to cover maturing liabilities, and contractual expenses continues to fund sales commensurate with market conditions during that period; and
- the Bank aims to have no more than 20 per cent. of its total funding raised with a term of less than one year (measured in terms of original contractual term), although this ratio is arguably too conservative, relative to the significantly increased reach which it now enjoys in diverse capital markets. Once again, any transition to a larger proportion of short-term funding will be very conservatively and cautiously managed in the years ahead.

The cautious approach to liquidity management at the start of the year, combined with the need to provide for significant additional funding associated with the growth in advances gave rise to a healthy average liquidity position.

The Bank continues to develop new relationships aimed at expanding its funding sources. As a result of the successful bonds listed on the London Stock Exchange under this Programme since July 2011, the Banks funding counterparties have increased significantly. The three issuances under this Programme listed on the SIX Swiss Exchange have further widened the pool of funding counterparties available to the Bank. As part of this enterprise, during Financial Year 2012 the Bank has begun piloting a programme to attract term retail deposits. This retail deposit programme was extended on 1 October 2012 to a broader section of the

market. The savings products are expected to gain traction through the establishment of a branch distribution platform and further retail savings initiatives in Financial Year 2014.

### **Credit Ratings**

Given the strong reliance on wholesale institutional funding, it is important for the Bank to maintain an appropriate credit rating on its senior debt funding. African Bank is currently rated by Moody's Investors Service ("**Moody's**"). Moody's is not established in the European Union and has not applied for registration under the CRA Regulation.

Since 2002, the long term rating has steadily improved from a BBB+ to the current A1.za ("**A+**" equivalent). This trend resulted in a wider universe of potential institutions that have mandates to invest in the Bank's debt instruments and has contributed to the growth in the funding base over the last few years.

As of August 2008, Moody's assigned global local currency and foreign currency deposit ratings to African Bank of Baa2 (long term) and P-2 (short term).

On 4 March 2013, Moody's downgraded African Bank's global senior debt and deposit ratings by one notch to Baa3/Prime-3, from Baa2/Prime-2. Concurrently, African Bank's local national scale issuer ratings were also adjusted to A2.za/P-1.za from A1.za/P-1.za.

On 3 July 2013, Moody's affirmed African Bank's ratings but changed the outlook from stable to negative on African Bank's Baa3 long-term global scale senior debt and deposit ratings.

On 7 January 2014, Moody's re-affirmed African Bank's rating and retained the negative outlook.

The Bank will continue to place a high degree of importance and focus on ensuring that the credit rating is maintained at the appropriate level.

### **Interest rate risk management**

In line with the philosophy relating to financial risk, the Bank has a policy of maintaining a neutral view to interest rate risk. Given that the nature of the loans that the Bank offers are predominantly at fixed rates of interest, funding is raised primarily at fixed rates to match this profile. Most variable rate funding is swapped into a fixed rate exposure by way of a directly matched interest rate derivative or an appropriate inflation derivative. To the extent, however, that the growing credit card portfolio exposes the Bank to floating interest rate returns, an increasing portion of the funding raised by the Bank will be done on a floating rate basis, thus matching its assets and liabilities. This strategy results in a steady funding cost and low interest rate exposure through the cycles.

Despite the Bank's policy of maintaining a neutral view, there will inevitably be some residual interest rate exposures across the yield curve, and in this regard the Bank would only enter into derivative hedging instruments where the exposure exceeded internal tolerance thresholds and the cost of the hedge is economically viable.

The ABIL Group Risk and Capital Management Committee (the "**Risk and Capital Management Committee**") has set a limit for the effect of a 2 per cent. movement in the treasury yield curve to be no more than 1.75 per cent. of headline earnings of the Bank on a 12-month basis.

Financial assets and liabilities are accounted for, in the main, on an amortised cost basis and therefore the income statement is not significantly impacted by fair value interest rate risk. The return on surplus cash balances placed; on call money market accounts varies with changes in interbank interest rates as does the interest payable on floating rate bond liabilities and some retail deposits, resulting in cash flow interest rate risk.

Floating rate bond liabilities may be hedged using interest rate swaps in order to match positions. The use of interest rate swaps mitigates the changes in cash flows of variable rate bonds issued by the Bank. The objective is to protect the Bank from uncontrolled changes in future interest cash flow commitments that

arise from changes in market interest rates and re-borrowing of current balances that can have a negative impact on the value of the business and annual earnings. The use of interest rate swaps has the economic effect of converting borrowing from floating rates to fixed rates. Under the terms of the interest rate swaps, the Bank agrees with other banking entities to exchange, quarterly, the difference between fixed contractual rates and floating rate interest amounts calculated by reference to the agreed notional amounts. Retail advances are only offered on fixed rate terms.

As at 30 September 2013, a 1 per cent. increase in interest rates would have an after tax R19 million negative impact on the Bank's headline earnings over 12 months.

### **Hedging and market risk**

The Bank avoids exposing itself to any other financial market risk, such as foreign currency, equity or commodity price movement risk. As this Programme is utilised to raise funding in foreign currencies, the Bank seeks to neutralise any cross currency movement risk, by way of entering into appropriate cross-currency swaps, both as to the settlement of the capital in local currency terms, and the settlement of future coupon and capital payments in foreign currency terms.

The Bank invests its cash resources predominantly in the short term interbank money markets, and limits are set for exposures to any bank based on its capital base and stability.

The only derivative contracts the ABIL Group has entered into relate to:

- the hedging of the ABIL Group's long term share based incentive scheme, using a hedge contract which is a total return swap on the underlying ABIL share, which matches the profile of the long term incentive plan exposure;
- the hedging of residual interest exposure as discussed under interest rate risk management;
- cross currency swaps to hedge foreign exchange risk arising from bonds issued under the Programme; and
- inflation linked derivatives to hedge inflation risk arising from the issuance of inflation linked bonds.

The Bank does not undertake any speculative trading in derivatives.

### **LEGAL AND REGULATORY PROCEEDINGS**

In the ordinary course of its business, the Bank is a party to legal and regulatory proceedings. Based on the information currently known by its management, the Bank does not believe that the ultimate resolution of any pending matters will have a material adverse effect on its business, financial condition or results of operations.

#### **Investigation by the National Credit Regulator**

In October 2012, the NCR announced that it was investigating a number of lenders, including the Bank, for alleged reckless lending activities under the NCA. The NCR investigation of the Bank, which was initially very broad, subsequently focused largely on the lending activity at the Bank's Dundee branch (the "**Dundee Branch**").

In February 2013, the NCR referred the matter to the National Consumer Tribunal (the "**Tribunal**") for adjudication and applied for an order from the Tribunal declaring that approximately 700 loans, largely originated at the Dundee Branch, with a capital value of R15.5 million be declared "prohibitive conduct" under the NCA and an administrative fine of R300 million be imposed on the Bank.

On 3 October 2013, the Bank announced that, through a process of mutual cooperation, the NCR and the Bank have resolved this matter amicably to the mutual satisfaction of both parties. The Bank agreed to pay

an amount of R20 million to the National Revenue Fund in full and final settlement of this matter. Accordingly, this matter has been withdrawn from the Tribunal with immediate effect. The financial impact of this matter have been accounted for in Financial Year 2013.

#### **Investigation by the Financial Services Board**

On 1 October 2013, the FSB announced that it was conducting an investigation into insider trading with respect to ABIL shares. ABIL has received and responded to requests for information and subpoenas from the FSB in connection with the investigation. The investigation does not involve either the Bank itself or any of its directors or members of senior management. Nonetheless, the Bank is cooperating with the FSB in respect of the investigation on an on-going basis.

#### **EMPLOYEES**

As at 30 September 2013, the Bank had 5230 employees (compared to 5,182 employees as at 30 September 2012).

The Bank would be compromised in its ability to deliver value to its stakeholders if its staff did not remain committed and trained to deliver effectively on the Bank's operational and strategic objectives. Therefore the Bank believes strongly in attracting and retaining suitably qualified staff and compensating them accordingly. African Bank strives to be an employer of choice within its sector and will continue to endeavour to build a suitable and sustainable culture and environment for its employees. The Bank's basic remuneration comprises fixed guaranteed salaries for all permanent employees and sales commissions paid to sales staff. Incentive payments are paid to employees whose performance is above expectation having regard to their basic remuneration, and for contributing towards the creation of sustainable shareholder value. The incentive structures are designed to encourage and reward superior performance at all levels of the organisation, but are more focused at the management and executive level. The integrated incentive structure covers both short-term cash incentives and a long-term incentive plan.

Promoting and maintaining a harmonious relationship with its employees and fostering relations with its unions are core objectives of the Bank. A significant number (approximately 56.5 per cent.) of its non-managerial employees are represented by trade unions. The Bank has not experienced any strikes or work stoppages and considers its employee relations to be excellent.

African Bank values engagement with its employees. Strong and increasing participation (over 84 per cent. for Financial Year 2012) in bi-annual employee surveys demonstrate the commitment of its employees. Roadshows are held each year, engaging with more than 5,000 African Bank employees, as well as smaller groups of customers. The roadshows provide the opportunity for the various executive teams to engage with the Bank's employees in person.

Recent staff initiatives include the launch of interest-free study loans, a financial planning tool, staff loans, credit cards, funeral coverage, balanced life and diversity workshops and health risk assessments. African Bank and the ABIL Group also utilise a variety of social media platforms to engage with its employees, including Facebook, Twitter and various blogs.

#### **PROPERTY**

As at 30 September 2012, the Bank held freehold title to land, property and equipment with a net book value of R527 million. This value decreased to R488 million as at 30 September 2013.

#### **INSURANCE**

All insurance coverage for the ABIL Group (including African Bank) is placed at the ABIL level.

ABIL has comprehensive insurance coverage, which includes the following:

- professional indemnity cover;
- directors' and officers' liability insurance;
- assets and liabilities insurance; and
- crime and civil liability cover.

ABIL's crime cover protects it against any financial loss suffered as a result of fraud, premises risk, transit, forgery and fraudulent alteration, forged securities, counterfeit currency, and also provides cover against computer crime.

ABIL's professional indemnity insurance protects it against claims for any financial losses suffered by a third party as a result of negligence, dishonesty, fraud, malice or criminal act or omission by its employees.

ABIL's claims against its insurance have historically been low. Further, ABIL conducts an annual benchmarking review of the coverage and terms of its policies in order to ensure that the level of insurance cover available is adequate.

## **INFORMATION TECHNOLOGY**

Uninterrupted and efficient availability of IT services is indispensable for African Bank, and IT forms an integral part of the daily operations and strategy execution of African Bank. There is a constant and significant level of demand on IT resources to deliver technology solutions to support business growth as well as regular system upgrades, replacements and conversions.

IT plays an important role in enabling the strategic direction of African Bank and ensuring effective and efficient processes and activities within African Bank. Regular assessments are conducted by the group to ensure that its IT infrastructure and capacity are sufficient to satisfy the demands required in order to conduct its business in accordance with its strategy, and to achieve its technical objectives.

System capacity is regularly assessed and upgraded where necessary to take advantage of scale, efficiencies and cost reductions. Required personnel levels and skills are regularly assessed to ensure the group stays abreast of developments and to ensure that optimum efficiency standards are maintained. The ABIL Group has made considerable investment in its IT resources in the last 18 months to decrease redundancy and increase availability, and to ensure that it has the right resources to provide the business with the required levels of service.

IT risk management within the Bank not only involves securing Bank information and systems, but also entails the application of risk management principles to ensure efficient, reliable and timely delivery of information. See "*Risk Management – Key Strategic Risks Identified – Information technology risk*".

### **Disaster recovery plan**

African Bank regularly reviews its critical operations and their preparedness to withstand any unexpected business disruptions. Specifically, African Bank continually assesses methods to minimise down-time and speed up recovery strategies.

The ABIL Group (including the Bank) possesses a board-approved business continuity plan, which relates to the real-time availability of systems and IT, and includes disaster recovery. The plan is reviewed annually, and infrastructure at the off-site disaster recovery centre is tested annually. Testing includes the simulation of a disaster event during which key users of systems affected are requested to test the functionality of the recovered system at the disaster recovery centre.

The Bank has taken key steps to minimise disruptions from power outages, such as installing generators and uninterrupted power supply capabilities at the central offices. The Bank has the ability to switch its

main debtor management and front-end system to run interchangeably between the disaster recovery and live sites, reducing potential downtime to less than 30 minutes in the event of a disaster.

Additionally, appropriate insurance policies exist to provide effective cover against business continuity disruptions.

## **MANAGEMENT**

### **Corporate Governance**

The board of directors and senior management are committed to the highest standards of corporate governance and strive to meet the highest moral and ethical business standards, as well as sound and transparent business practices. The ABIL Group embraces the principles of good corporate governance in order to ensure that an ethical foundation exists which promotes, inter alia:

- Responsibility – by assuming responsibility for the actions of the Bank and being willing to take corrective actions to keep the Bank on a strategic path, that is ethical and sustainable;
- Accountability - by being able to justify its actions and decisions to shareholders and other stakeholders;
- Fairness - by giving fair consideration to the legitimate interests and expectations of all stakeholders of the ABIL Group; and
- Transparency - by disclosing information in a manner that enables stakeholders to make an informed analysis of the ABIL Group's and Bank's performance and sustainability.

### **Application of King III**

In September 2009, the King Commission released its revised King Report on Governance for South Africa (the “**King Report**”) and the King Code for Governance Principles in South Africa (the “**Code**” and together with the King Report, “**King III**”). The Board is committed to complying, in all material respects, with the principles contained in King III, as well as to the additional requirements for good corporate governance stipulated in the JSE's Socially Responsible Investment Index (“**SRI**”). The Bank has performed a thorough review of the implications of King III and, where appropriate, the corporate governance structure has been amended to comply with the Code, which became effective on 1 March 2010. The Bank complies with all aspects of the Code save that the fees for non-executives of African Bank are fixed. The fixed fee basis works more efficiently for the Bank because it has a performance appraisal system to deal with non-attendance.

An overview of the Group's corporate governance framework is provided below.

### **The Board**

The Board, which comprises the same persons as ABIL's board of directors, is ultimately accountable for the performance and affairs of African Bank. The Board is responsible for the oversight of controls, the long-term strategic objectives, shaping the values by which African Bank is managed and determining the risk parameters for its business. The Board regards good corporate governance as critical to the success of the Bank and is therefore committed to applying the principles of good governance, transparency, integrity, accountability and responsibility in all its dealings when acting on behalf of African Bank.

The Board has adopted a charter which defines the governance parameters within which it operates. This charter sets out specific responsibilities to be discharged by the Board collectively, as well as the responsibilities of its individual members. The ABIL Group has an approved term limit policy in respect of the ABIL's board of directors and the Board which limits the chairman of the Board's service tenure to a maximum of ten years. The service tenure of non-executive directors is limited to a term of six years which may be extended for a further two years.

The Board consists of 11 directors, classified as independent non-executive, and executive directors respectively. African Bank strives to ensure that the size, diversity and demographic representation of its Board make its management effective. African Bank is currently managed by four executive directors and seven non-executive directors (all of whom are deemed independent non-executive directors). The members of the Board as at the date of this Base Prospectus are listed below. Two executive members of the Board, Antonio Fourie and Thamasanqa Mthunzi Sokutu, have resigned from the Board with effect from 6 February 2014.

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Director Since</u></b>
Leonidas Kirkinis	Managing Director, Executive Group Chief Executive Officer	1 July 1997
Antonio Fourie	Chief Executive Officer of Ellerines, Executive	21 October 2003
Thamasanqa Mthunzi Sokutu	Director - risk, compliance and sustainability Executive	19 May 2003
Nithiananthan Nalliah	Group Chief Financial Officer, Executive	5 May 2009
Mutle Constantine Mogase	Chairman, Independent Non-Executive	12 March 2007
Nicholas Adams	Independent Non-Executive	1 February 2008
Robert John Symmonds	Independent Non-Executive	21 May 2009
Advocate Mojankunyane Florence Gumbi	Independent Non-Executive	1 March 2011
Ntombi Langa-Royds	Independent Non-Executive	15 March 2011
Jacobus Dorotheus Maria Gerardus (Jack) Koolen	Independent Non-Executive	15 March 2011
Morris Mthombeni	Independent Non-Executive	16 September 2013

The business address of the members of the Board is the Bank's registered address at 59 16<sup>th</sup> Road, Midrand, 1685, South Africa. All of the directors of the Board are South African nationals, it being noted that Jack Koolen is a Dutch citizen but has permanent residency in South Africa.

Further information in respect of the members of the Board is set out below.

***Leonidas Kirkinis (54)***

<b>Qualifications</b>	BCom, BAcc
<b>Business Address</b>	59 16th Road Halfway House Midrand South Africa
<b>Nationality</b>	South African
<b>Current Directorships</b>	Executive director of ABIL, African Bank and executive chairman of Ellerines. Executive director of UPbeatprops 167 (Proprietary) Limited, Helios Air Charters (Proprietary) Limited, Octavia Investments (Proprietary) Limited and Snowy Owl Properties 284 (Proprietary) Limited.



**Past Directorships**

Seriti Sa Batho Enterprise Development (Proprietary) Limited.

**Profile**

Mr Kirkinis, currently chief executive officer of ABIL and managing director of African Bank, founded the company (previously Theta Group Limited) in partnership with Mr Gordon Schachat. Mr Kirkinis guided the company through the various mergers, acquisitions and the operational establishment of present day ABIL.

*Antonio Fourie (53)***Qualifications**

BCom

**Business Address**

14A Charles Crescent  
Eastgate Extension Ext 4  
Sandton  
South Africa

**Nationality**

South African

**Current Directorships**

Executive director of ABIL and African Bank. Chief executive officer of Ellerines and executive director of other subsidiary companies.

**Past Directorships**

N/A

**Profile**

Mr Fourie, who is currently the chief executive officer of Ellerines, has extensive experience in retail operations. He has also been instrumental in repositioning African Bank's distribution footprint, branding and customer service propositions. Mr. Fourie has resigned from the Board with effect from 6 February 2014.

*Thamsanqa Mthunzi Sokutu (50)***Qualifications**

BSc (Hons), MSc

**Business Address**

59 16th Road  
Halfway House  
Midrand  
South Africa

**Nationality**

South African

**Current Directorship**

Executive director of ABIL, African Bank, Ellerines and Alpha King Capital Limited. Non-executive director of Eyomhlaba. Chairman of Masake (Proprietary) Limited.

**Past Directorships**

Non-executive director of Tourism Empowerment Council of SA and of South African National Biodiversity Institute.

**Profile**

Mr Sokutu is the executive director responsible for the ABIL risk function covering both the African Bank and Ellerines businesses. Before taking over responsibility for the ABIL Group risk, he was managing director of African Bank's retail business.

Mr Sokutu is currently on an extended leave due to health reasons and has resigned from the Board with effect from 6 February 2014.

***Nithiananthan Nalliah (54)***

**Qualifications**

B Compt (Hons), (Unisa), Post Graduate Diploma in Tax Law (RAU), ACMA, CA (SA)

**Business Address**

59 16th Road  
Halfway House  
Midrand  
South Africa

**Nationality**

South African

**Current Directorships**

Executive director of ABIL, African Bank, Standard General Insurance Company Limited, ABIL companies, Stazione Properties (Proprietary) Limited, Highly Commended Investments 801 (Proprietary) Limited, Magnolia Ridge Properties 272 (Proprietary) Limited and Alpha King Capital Limited. Non-executive director of Eyomhlaba and Hlumisa.

**Past Directorships**

Executive director of Cantilana Investments 801 (Proprietary) Limited.

**Profile**

Mr Nalliah joined ABIL in March 2006 and became the ABIL Chief Financial Officer in October 2006.

***Mutle Constantine Mogase (49)***

**Qualifications**

BCom (UCT), Executive Development Programme (Baruch College New York), Graduate Diploma in Corporate Governance (Graduate Institute of Management Technology, Johannesburg).

**Business Address**

Vantage Capital  
1st Floor  
3 Melrose Boulevard  
Melrose Arch  
Johannesburg  
South Africa

**Nationality**

South African

**Current Directorships**

Non-executive chairman of ABIL and African Bank. Non-executive director of Kwikspace Modular Buildings (Proprietary) Limited, ECI Africa Consulting (Proprietary) Limited, JP Morgan Advisory Board, Global Pact Trading 125 (Proprietary) Limited, Business Venture Investments No 1041 (Proprietary) Limited, Air Liquide Advisory Board (Proprietary) Limited, Fluxrab Investments No 192 (Proprietary) Limited, Fluxrab Investments No 200 (Proprietary) Limited and Fluxrab Investments No 72 (Proprietary) Limited. Executive chairman of Vantage Capital Group (Proprietary) Limited.

**Past Directorships**

Vantage Capital Investments (Proprietary) Limited,

	<p>Vantage Capital Fund Managers (Proprietary) Limited, Vantage Capital Albimix Investments (Proprietary) Limited, Vantage Capital Comcorp Investments (Proprietary) Limited, Vantage Capital Incwala Investments (Proprietary) Limited, Vantage Capital Investments 2 (Proprietary) Limited, Vantage Capital Investments III (Proprietary) Limited, Vantage Capital Investments IV (Proprietary) Limited, Vantage Co Investments (Proprietary) Limited Vantage Trustees (Proprietary) Limited, Incwala Platinum (Proprietary) Limited, Comcorp Holdings (Proprietary) Limited, Comcorp Online (Proprietary) Limited, SA Venture Capital and Private Equity Association NPO, Tonoct Investments (Proprietary) Limited, Vox Telecom Limited, MMR Equity Capital (Proprietary) Limited, Newpleiad Africa Investments (Proprietary) Limited, Stangen, Africa Construction (Proprietary) Limited, Ahang Developments (Proprietary) Limited and Drimac Corporate Services (Proprietary) Limited.</p>
<b>Past Business Insolvency</b>	<p>Mr Mogase was a director of Africa Construction (Proprietary) Limited which became insolvent in 2000. This company reached resolution with creditors and this company is awaiting final deregistration.</p>
<b>Profile</b>	<p>Mr Mogase has been an independent non-executive director of ABIL and African Bank since 2007 and currently serves as the non-executive chairman of ABIL and African Bank. He is currently the executive chairman of Vantage Capital Group. He was chairman of the Micro Finance Regulatory Council (MFRC) and it was during his tenure that the NCA was developed.</p>
<i>Nicholas Adams (54)</i>	
<b>Qualifications</b>	<p>BCom (Hons), CTA (UCT), ACMA</p>
<b>Business Address</b>	<p>23 Eden Nature Reserve</p> <p>The road to Sabie Nelspruit 1200</p> <p>South Africa</p>
<b>Nationality</b>	<p>South African</p>
<b>Current Directorships</b>	<p>Non-executive director of ABIL, African Bank, MKP Management Holdings (Proprietary) Limited, Swanvest 203 (Proprietary) Limited, Findlay's Properties No 5 (Proprietary) Limited, Uplands College NPO and Uplands College Properties (Proprietary) Limited. Executive director of TukTuk Investments (Proprietary) Limited and Walter H. Adams (Kimberley) (Proprietary) Limited and Portion 14 of portion 60 Buffelsfontein CC and Sailing Sometime CC.</p>
<b>Past Directorships</b>	<p>Garden of Development Company (Proprietary)</p>

**Past Business Insolvencies**

Limited and Mountain Springs Estate CC.

Mr Adams is actively involved in investments in the venture capital market. Purple Heron Investment Holdings (Proprietary) Limited was one such investment which was unable to continue trading successfully and was liquidated in 2001. Similarly, Sunesi Clinical Systems was liquidated in 2001 when it was unable to continue trading successfully. Maurice Kerrigan (Proprietary) Limited went into voluntary liquidation approximately 6 years ago.

**Profile**

Mr Adams is a chartered accountant by training who spent six years as a partner at Deloitte, in the consulting division. He is currently a private equity investor investing own funds in a variety of unlisted investments mostly venture or development capital in the IT, training and tourism/wildlife industries.

***Morris Mthombeni (40)*****Qualifications**

BProc, LLB, BJuris, MBA (Finance)

**Business Address**

59 16<sup>th</sup> Road  
Halfway House  
Midrand  
1685  
South Africa

**Nationality**

South African

**Current Directorships**

Non-executive director of ABIL, African Bank, Public Affairs Research (a non profit organisation) and Vilakazi Street Kapital (Proprietary) Limited. Executive director of Inno-Phemba Investments (Proprietary) Limited and PEN (a non profit organisation).

**Past Directorships**

Executive director of MMI Holdings Limited and its subsidiaries. Non-executive director of FirstRand International Wealth Management (based in the Channel Islands).

**Profile**

Mr Mthombeni has more than 21 years experience in insurance-based financial services, including previously as CEO of Momentum Investments Limited. He has 15 years experience at executive level and has served on the boards of a number of Momentum Investments Limited's subsidiaries. Mr Mthombeni is currently studying towards a doctorate in board leadership at the Gordon Institute of Business Science.

***Robert John Symmonds (54)*****Qualifications**

BCom (Hons) (UCT), Strategic Banking Programme (IMD-Laussane), Executive Development Programme (GIMT), CA (SA)

**Business Address**

Lombard Insurance Group  
Ground Floor  
Building C

	<p>Sunnyside Office Park 2 Carse O'Gowrie Road Parktown Johannesburg South Africa</p>
<b>Nationality</b>	South African
<b>Current Directorships</b>	<p>Non-executive director of ABIL, African Bank, the ABIL Group insurance companies, PtyProps211 (Proprietary) Limited, Helm Underwriting Management Services (SA) (Proprietary) Limited, BrightRock (Proprietary) Limited, Leppard and Associates (Proprietary) Limited, Cape Finance Corporation Limited, HCV Underwriting Managers (Proprietary) Limited, Consort Technical Underwriting Managers (Proprietary) Limited, Cast Arena Trade and Invest 87 (Proprietary) Limited, Gatewin Holdings Limited, Phaphama Entrepreneurs (Proprietary) Limited, New Africa Holdings (Proprietary) and Phaphama Investments (Proprietary) Limited. Executive director of LomHold (Proprietary) Limited and its subsidiaries.</p>
<b>Past Directorships</b>	<p>Non executive director of Umlimi Underwriting (Proprietary) Limited, Umlimi Underwriting Management Agency (Proprietary) Limited, PinnAfrica Insurance Underwriting Managers Company Limited, Cape Finance Corporation (Proprietary) Limited and Mpumalanga Petroleum (Proprietary) Limited.</p>
<b>Profile</b>	<p>Mr Symmonds is currently the managing director of Lombard Insurance Company Limited. He is responsible for the overall implementation of strategies developed in conjunction with the board of directors.</p> <p>As the previous chief executive officer of Mercantile Lisbon Bank Holdings, Mr Symmonds was primarily responsible for the overall implementation of strategies developed in conjunction with the board of directors, the operational management, risk management, resourcing, human resources, reporting to the market, relationships with regulators and managing that bank through a difficult time within the small banking sector and some significant challenges for that bank.</p>
<b><i>Advocate Mojankunyane Florence Gumbi (55)</i></b>	
<b>Qualifications</b>	<p>B.Proc, LLB, Certificate in Trial Advocacy (University of Texas in Austin, USA)</p>
<b>Business Address</b>	<p>11 Cadiz Crescent Dainfern Ridge 2000 South Africa</p>

<b>Nationality</b>	South African
<b>Current Directorships</b>	Non-executive director of ABIL, African Bank, Standard General Insurance Company Limited, Relyant Life Assurance Company Limited, Relyant Insurance Company Limited and Customer Protection Insurance Company Limited. Executive director of Mojanku Gumbi Advisory Services (Proprietary) Limited.
<b>Past Directorships</b>	N/A
<b>Profile</b>	Advocate Gumbi has dedicated most of her legal career to public interest law. From 2009 to date she has been an advocate and a consultant. From 1994 to 2008 she was a special adviser to then Deputy President and President Thabo Mbeki. In this role Advocate Gumbi was one of the lead negotiators for South Africa in the World Trade Organisation negotiations. Advocate Gumbi also served as President Mbeki's personal representative on the G8 and in the Progressive Governance group and participated in the activities of the World Economic Forum, both in the Southern Africa region and in Davos. She continues to be an active participant in this Forum. She has advised President Mbeki on domestic policy matters working to ensure a global presence for South African companies and has assisted many South African companies in their expansion globally.
<i>Nomalizo Beryl Langa-Royds (51)</i>	
<b>Qualifications</b>	BA (Law), Bachelor of Law (LLB) (University of Lesotho)
<b>Business Address</b>	53 Curzon Road Bryanston Johannesburg 2000 South Africa
<b>Nationality</b>	South African
<b>Current Directorships</b>	Non-executive director of ABIL, African Bank, PPC Limited and Mpact Limited. Executive director of Faranani Investments (Proprietary) Limited and executive member of Nthake Consultants CC.
<b>Past Directorships</b>	Executive director of Greenleaf Centre for Servant Leadership (SA), Turnaround Management Association South African Chapter NPO, Candock Properties 11, Corprenewal (Proprietary) Limited, Blue Marlin Trading 146 CC and Life College Investments (Proprietary) Limited. Non-executive director of Respiratory Care Africa (Proprietary) Limited.
<b>Profile</b>	Ms Langa-Royds has 25 years experience in the human resources environment. She started a wholly

	<p>owned black female corporation, Nthake Consultants CC, in 1999, specialising in human resources management and allied services.</p> <p>Ms Langa-Royds has worked as Group Human Resources director at Independent Newspapers Limited, as Chief Executive: Human Resources for the SABC and as Group Human Resources director for Bevcan, a division of Nampak Limited. Currently, Ms Langa-Royds also serves on the audit committee of the Presidency and Department of Performance, Monitoring and Evaluation (DPME).</p>
<b><i>Jacobus Dorotheus Maria Gerardus Koolen (53)</i></b>	
<b>Qualifications</b>	BCom (Hogere Economische School Groningen, Netherlands), MBA (University of Witwatersrand)
<b>Business Address</b>	<p>No. 1 – 13th Avenue</p> <p>Houghton</p> <p>Johannesburg</p> <p>2000</p> <p>South Africa</p>
<b>Nationality</b>	Dutch
<b>Current Directorships</b>	Non-executive director of ABIL, African Bank, Ellerines and Retailcorp Brands South Africa (Proprietary) Limited. Executive Director of Reflect Advisory Services (Proprietary) Limited.
<b>Past Directorships</b>	Monitor Group South Africa (Proprietary) Limited.
<b>Past Business Insolvency</b>	Mr Koolen resigned from Monitor Group South Africa (Proprietary) Limited in 2008, which subsequently filed for liquidation but did not proceed to final liquidation.
<b>Profile</b>	<p>Mr Koolen is an independent adviser. In addition, he has lectured, on a part time basis, at the Gordon Institute of Business Studies (University of Pretoria's business school) in the areas of strategy, competitiveness and choice, integrating insights from competitive strategy, logic systems and behavioural economics.</p> <p>Mr Koolen has held non-executive board positions in the private sector (Edcon: 2001-2007) and in NGO's (CityYear since inception until 2008; CIDA University Advisory Board from inception until 2007), and was a member of the SA Health Ministerial Advisory Committee on Financial Reform (2009). He has worked as an independent adviser since September 2008, closely associated with the Monitor Group in the Middle East, and regularly advises the Government on a variety of issues. Mr Koolen has recently worked on issues of healthcare and education reform, crime reduction strategies, nutrition policy, and economic growth strategies. He has advised the Presidency (Monitoring and</p>

Evaluation), and the Gauteng Province on economic growth challenges, as well as working with several private sector clients (mining, healthcare, retail, banking, as well as the chairman of Eskom) in South Africa, in addition to serving customers based in Switzerland, the UK and Saudi Arabia. He is a Dutch citizen with residence in South Africa since 1983.

#### **Period of office of board members**

*All non-executive directors are appointed for specific terms and reappointment is not automatic. An approved term limit policy exists which can be accessed at [www.abil.co.za](http://www.abil.co.za). In summary the term limit policy provides as follows:*

- the chairman of the board of directors shall serve for a maximum period of 10 years; and
- all other non-executive directors shall serve for a maximum period of six years, which may be extended for a further two years.

#### **Board committees**

ABIL has a unitary board structure, with the ABIL and African Bank board comprising of the same directors. This governance structure ensures that the ABIL Group Committees (comprising the committees described and defined below) effectively deliberate, review and monitor the activities of African Bank.

The Board has established five permanent committees from amongst its members and has defined specific roles and responsibilities for them. The committees provide the Board with oversight and reports on their work at each Board meeting. The roles, responsibilities, duties and objectives of the committees are set out in the respective committee charters. In addition, the Operational Credit Committee and the Strategic Credit Committee are described under “*Risk Management – Credit Risk*” above.

##### ***The ABIL Group Audit Committee***

The ABIL Group Audit Committee (the “**Audit Committee**”) comprises three non-executive directors of the Board. The members are elected by the Board from amongst the non-executive directors in compliance with the Banks Act.

The main purpose of the Audit Committee is to assist the Board in discharging its duties relating to the safeguarding of assets, accounting systems and practices, the integrity of internal financial control processes and integrated reporting and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards for the ABIL Group.

The Audit Committee has an independent role with accountability both to the Board and to the shareholders, but does not assume any management function.

##### ***The ABIL Group Risk and Capital Management Committee***

The Risk and Capital Management Committee comprises four elected non-executive directors of the Board in compliance with the Banks Act.

The quality, integrity and reliability of risk management of the ABIL Group is delegated to the Risk and Capital Management Committee. The Risk and Capital Management Committee assists the Board in discharging its duties relating to the identification and monitoring of key risk areas and performance indicators of each company in the ABIL Group (including the Bank), relating to the high level risks within the business, credit risk, interest and liquidity risk, internal capital adequacy assessment process (“ICAAP”), internal capital allocation, regulatory capital requirements, operational risk, information technology risk, legal and insurance risk, and sustainability risk.



### ***The ABIL Group Remuneration and Transformation Committee***

The ABIL Group Remuneration and Transformation Committee (the “**Remuneration and Transformation Committee**”) comprises three non-executive directors of the Board. The role of the Remuneration and Transformation Committee, having regard to the law and the required standards of governance, is to support and advise the Board in fulfilling its responsibilities to shareholders, employees and other stakeholders by ensuring that employees of the ABIL Group (including the Bank), are appropriately and equitably compensated for their services (having regard to their performance) and are motivated to perform to the best of their abilities in the interests of all stakeholders.

### ***The ABIL Group Directors Affairs Committee***

The ABIL Group Directors Affairs Committee assists the Board in discharging its responsibility for ensuring the existence of adequate and effective corporate governance that is consistent with the nature, complexity and risks inherent in the Bank’s business. This ensures a balance of power and authority, such that no one individual has unfettered powers of decision making.

### ***The ABIL Group Ethics and Sustainability Committee***

The Ethics and Sustainability Committee was established in 2011 and comprises three non-executive directors of the Board. The responsibility of the committee, amongst other things, is to assist management in the formulation and implementation of policies, principles and practices to foster the sustainable growth of the ABIL Group.

### **Appointment of directors**

The appointment of directors to the Board is formal and transparent and a matter for the board of directors as a whole. All directors are appointed for specific terms and reappointment is not automatic. The appointment of directors is facilitated by the directors’ affairs committee which also serves as the nominations committee. The nominations committee is constituted only of non-executive directors of whom the majority are independent. The nominations committee is chaired by the chairman of the Board.

All appointments are subject to approval from the SARB and fit and proper tests in terms of the Banks Act, as amended, the SA Companies Act, the JSE Listings Requirements and any other applicable legislation. All directors’ appointments are subject to shareholder approval at the annual general meeting immediately following the date of their appointment.

### **Independent advice**

In allowing the Board to discharge its corporate responsibilities by exercising the care that an ordinary prudent person would exercise under similar circumstances, the Board and the Board committees may engage the services of external experts at the expense of African Bank.

### **Succession planning**

The remuneration and transformation committee and the directors’ affairs committee review succession planning as a regular item on their respective agendas.

The directors’ affairs committee of the board of directors, in line with its terms of reference, from time to time reviews the general composition of the board of directors and makes appropriate recommendations on the appointment of new executive or non-executive directors.

### **Conflicts of Interest**

The Board has adopted a number of principles for the purpose of regulating the conduct, ethics and operations of the Board, which are contained in the Board’s charter. As part of this, Board members are obliged to manage all conflicts of interest to ensure that their position of trust and confidence may not be used to further their own interests. Directors are required to act in good faith, on an informed basis and in

the best interests of African Bank. In this regard, all directors have access to the chairman of the Board and the chief executive officer of the ABIL Group in order to discuss potential conflicts. Directors are required to declare their interests in matters discussed at the Board meetings and to recuse themselves from discussions should there be a potential conflict of interest. There is no actual or potential conflict of interest between the duties of any of the members of the Board to the Issuer and their respective private interests or other duties.

## DESCRIPTION OF CERTAIN INDEBTEDNESS

The following summary of certain provisions of the Issuer's indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents.

### Domestic Medium Term Note Programme

On 10 September 2001, the Issuer established its Domestic Programme, the programme limit of which has subsequently been increased to ZAR25,000,000,000 and an updated programme dated 1 June 2012 has been registered by the JSE Limited. The following series of notes are currently outstanding under the Domestic Programme (collectively the “**Domestic Programme Notes**”).

<u>Launch date</u>	<u>Size at issue (ZAR)</u>	<u>Outstanding Principal Amounts</u>	<u>Coupon</u>	<u>Maturity</u>
May-09	R2,020 million	R2,020 million	8 per cent. above CPI	May-14
Jul-09	R520 million	R520 million	15.50 per cent.	Jul-16
Jul-09	R480 million	R480 million	Variable	Jul-16
Mar-10	R750 million	R750 million	5.10 per cent.	Mar-15
Mar-10	R500 million	R500 million	Variable	Mar-15
Mar-10	R500 million	R450 million	11.50 per cent.	Mar-15
Sep-10	R525 million	R525 million	9.50 per cent.	Sep-14
Sep-10	R475 million	R380 million	Variable	Sep-14
Mar-11	R1,000 million	R1,000 million	Variable	Mar-15
Mar-11	R515 million	R515 million	Variable	Apr-18
Oct-11	R278 million	R278 million	Variable	Oct-16
Oct-11	R652 million	R652 million	Inflation indexed	Oct-16
Mar-12	R300 million	R300 million	Variable	Mar-19
Jun-12	R1,367 million <sup>(1)</sup>	R1,367 million	Variable	Jun-19
Jun-12	R133 million	R133 million	Inflation indexed	Jun-19
Oct-12	R709 million	R709 million	Variable	Oct-15
Oct-12	R191 million	R191 million	Variable	Oct-17
Feb-13	R2,000 million	R2,000 million	Inflation indexed	Feb-18
Mar-13	R800 million	R800 million	Variable	Mar-16
Jun-13	R1,000 million	R1,000 million	Variable	Jun-16
Jul-13	R600 million	R600 million	Inflation indexed	Jul-20
Aug-13	R400 million	R400 million	Variable	Feb-14
Aug-13	R100 million	R100 million	Fixed	Feb-14
Sep-13	R490 million	R490 million	Variable	Sep-15
Sep-13	R510 million	R510 million	Variable	Sep-18
<b>Total</b>		<b>R16,670 million</b>		

<sup>(1)</sup> This represents the aggregate value of the original issue and subsequent taps of this bond.

The Domestic Programme documents contain representations, warranties and undertakings common to agreements of this type and include customary covenants (subject to certain agreed exceptions) that restrict the Issuer's ability to create or permit the creation of any encumbrances other than those permitted under the Domestic Programme. The Domestic Programme documents contain customary events of default, including, but not limited to, non-payment, breach of other obligations set out in the agreements, failure to obtain any necessary consent, license, approval or authorisation, cessation of the whole or a substantial part of the Issuer's business as well as certain insolvency and winding-up or related events.

### Subordinated Debt raised from Development Finance Institutions (“DFIs”)

During Financial Year 2009, African Bank raised an aggregate amount of R600 million in subordinated debt (in the form of long-term loans) from the International Finance Corporation (“**IFC**”), Société De Promotion Et De Participation Pour La Coopération Economique S.A. (“**Proparco**”) and DEG - Deutsche Investitions-Und Entwicklungsgesellschaft Mbh (“**DEG**”) on a non-syndicated basis.

The DFI term loan agreements constitute three separate bilateral agreements and contain representations, warranties and undertakings common to agreements of this type and with similar counterparties, which are also common to each DFI agreement, to a large degree. The DFI term loan agreements include customary covenants, subject to certain agreed exceptions, that restrict the Issuer’s ability to create or permit to the creation of any encumbrances. The agreements also contain customary events of default, including, but not limited to, non-payment, breach of other obligations set out in the agreement, defaults in other material contracts, cessation of the whole or a substantial part of its business, certain insolvency and winding-up or related events.

## THE BANKING SECTOR IN SOUTH AFRICA

The South African banking system is well developed and effectively regulated, comprising a central bank, several large, financially strong banks and investment institutions, and a number of smaller banks. Many foreign banks and investment institutions have also established operations in South Africa over the past decade. The Government is a subscriber to the International Monetary Fund (“**IMF**”) and World Bank regulations and policies. South African banks are regulated by the Banking Supervision Department of the SARB (the “**BSD**”) and are required to comply with the Banks Act and any regulations issued in terms thereof, including inter alia, the Regulations Relating to Banks. South Africa is a member of the International Liaison Group of the Basel Committee.

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, 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 interbank settlement. These developments have brought South Africa in line with international interbank settlement practice. Electronic banking facilities are extensive, with a nationwide network of automatic teller machines (“**ATMs**”) and internet banking being available.

South Africa is considered to have a sophisticated financial system and banking sector which compares favourably with those of other industrialised countries.

### Regulation

Financial regulation in South Africa is currently performed by several agencies. Financial regulation legislation in South Africa is increasingly following international best practice through the accords of international bodies such as the Bank of International Settlements (“**BIS**”), the International Organization of Securities Commissions (“**IOSCO**”) and the International Association of Insurance Supervisors (“**IAIS**”). Banks in South Africa are governed by various acts and legislation, most significantly the Banks Act, which is primarily based on similar legislation in the United Kingdom, Australia and Canada.

### National Credit Act

As a result of the increasingly diversified business activities of South African banks and their central role in the provision of credit in the retail market, legislation aimed at protecting certain types of consumers has been enacted in South Africa. The NCA regulates, among others, the granting of consumer credit and advanced standards of consumer information and has made significant changes to the interest, costs and fees which retail banks and other credit providers may charge consumers in South Africa. The maximum prescribed interest rates which may be levied on credit agreements are set out in the regulations to the NCA. The NCA further stipulates a closed list of costs and fees which may be recovered under a credit agreement in addition to the capital amount and interest. These are an initiation fee, a monthly service fee, default administration costs and collection costs. Other charges which may be applicable are strictly regulated and may only be levied if specifically listed in the NCA, and to the extent permitted. The NCA also requires each credit provider to register with the NCA. In addition, certain credit agreements which contain unlawful provisions in terms of the NCA could potentially be rendered *void ab initio*.

On 29 May 2013, the National Credit Amendment Bill, 2013 as well as the Draft National Credit Act Policy Review Framework, 2013 were published for comment and a notice of introduction of the amended draft of the National Credit Amendment Bill, 2013 into parliament was published on 9 October 2013. In these documents, the Department of Trade and Industry (“**DTI**”) have identified that the problematic aspects of the NCA relate primarily to legislative failures such as drafting irregularities and issues with the interpretation or application of the legislation.

The proposed amendments, among others, include:

- provisions to allow the NCR to consider a credit provider’s compliance with “industry guidelines and codes on affordability assessment” and other guidelines as additional criteria when it imposes conditions of registration on credit providers in terms of the NCA. This may affect the annual renewal of a credit provider’s registration with the NCR, as it may entitle the NCR to impose additional criteria upon the annual renewal of the registration of a credit provider, effectively

- ordering the credit provider to comply with the relevant industry guidelines and codes on affordability assessment to maintain its registration;
- granting the Tribunal the same powers that currently vest in the Magistrates' courts under the NCA with regard to the suspension of reckless credit agreements. This amendment would allow consumers to approach the Tribunal directly for assistance in this regard and credit providers may have to prepare for a possible increase in matters based on allegations of reckless credit. Furthermore, since the jurisdictional foundation of the Tribunal and the Magistrates' courts are situated in different pieces of legislation, there may be initial teething problems and credit providers may have to accommodate a different "jurisprudential approach" by the Tribunal in relation to reckless credit matters;
  - amendments to bring certainty to the contentious issue of exactly when a credit provider can terminate debt review proceedings in respect of a particular credit agreement while a client is in default under such credit agreement that is under debt review. If the proposed amendments are made, a credit provider will be precluded from terminating a debt review application during the period after a client has lodged the application in court until such an application for debt review is granted. This may lead to considerable delays due to the congested Magistrates' court processes;
  - provisions empowering the NCR, at any time during a year of registration, to review and propose new conditions if the NCR, on compelling grounds, deems it necessary for the achievement of the purposes of the NCA and the efficient enforcement of its functions. This proposed amendment appears to enable the NCR to review and impose new conditions during the course of a registration year which may, depending on the nature and extent of the new conditions, create operational and regulatory challenges for credit providers;
  - provisions empowering the Minister of Trade and Industry, in consultation with the NCR, to publish guidelines in respect of models and procedures to be used in credit affordability assessments, as well as any other guidelines related to credit agreements. The Bill does not impose a duty on the Minister of Trade and Industry or the NCR to consult with the credit industry before such guidelines are published; and
  - provisions empowering the NCR to deal with complaints concerning allegations of reckless credit and to take any necessary enforcement action provided for in the NCA. This proposed amendment appears to be a measure to increase the statutory powers of the NCR in respect of the management and treatment of complaints concerning reckless credit.

In addition, the Draft National Credit Act Policy Review Framework document raised for discussion an issue that the DTI perceives to be an implementation discrepancy in the NCA relating to fixed and variable interest rates and how these relate to the maximum permissible rate of interest set in terms of the NCA. The discussion relates to what should occur with regard to interest rates set for the duration of credit agreements which at the time the relevant credit agreements are concluded are at interest rates equal to or below the prescribed maximum rate of interest but which subsequently, as a result of the reduction of such prescribed maximum rate, exceed such prescribed rate.

The DTI has expressed concerns that, since the maximum prescribed rate of interest is determined with reference to a formula linked to the SARB repo rate, and credit providers have an information advantage over consumers as to when changes in the SARB repo rate are likely to happen, this encourages credit providers to keep pricing at the maximum level when a rate cut is anticipated. The DTI has suggested that it would be prudent to ensure clarity that even a fixed rate must fall within the maximum prescribed rate. For further discussion on this see *"Risk Factors – Risk relating to South Africa – the Issuer operates in a highly regulated environment which is subject to change – The National Credit Act and unsecured lending"*,

### **Consumer Protection Act**

The Consumer Protection Act, 2008 (as amended) (the "CPA") came into effect in South Africa on 1 April 2011 and regulates the relationship between suppliers and consumers in order to protect the rights of the consumers. The CPA applies where a supplier transacts with a consumer for the provision of goods and

services, and that transaction occurs in South Africa in the ordinary course of a business continuously carried on by the supplier, unless exempt under the CPA. The CPA protects consumers who are (i) natural persons and (ii) small business entities with assets or an annual turnover of less than R2,000,000.

The CPA does not apply to transactions between juristic entities unless the consumer to a transaction is a juristic entity with assets or an annual turnover of less than R2,000,000, nor does it apply to credit agreements governed by the NCA. The primary activity of the Bank is lending through agreements governed by the NCA and the majority of the Bank's borrowing arrangements are with juristic entities with assets or an annual turnover equal to or greater than R2,000,000.

Section 14 of the CPA gives consumers the right to cancel fixed term contracts on 20 business days notice. Banks registered in terms of the Banks Act and mutual banks registered in terms of the Mutual Banks Act, 1993 (as amended) are exempt from the provisions of section 14. Accordingly, fixed deposits with banks are not subject to this notice provision. Deposits with banks by natural persons and small business entities with assets or an annual turnover of less than R2,000,000 may however be subject to other protections under the CPA.

The CPA requires businesses to transform the way in which they interact with consumers and to ensure that all dealings with consumers are fair, reasonable and honest.

Suppliers are strictly liable for any harm caused by goods provided by them to consumers. The CPA also sets out the requirements for the form and content of consumer agreements. Any unjust, unreasonable or unfair contractual term (mainly those which are excessively one-sided, inequitable or unconscionable) may be altered or declared void, from the date it purportedly took effect, by a court in South Africa. A number of provisions in an agreement will be void unless fair in the circumstances, including certain clauses that commonly appear in standard form contracts. The CPA creates the possibility for class action suits against suppliers of defective goods, which may result in increased litigation, increased costs in dealing with litigation and increased claims for damages against suppliers of goods. Consumers also have a right to demand the timely performance of services in a manner and quality that consumers are generally entitled to expect, failing which, the consumer will have a right of recourse against the supplier.

### ***Competition Law***

The South African Competition Commission launched an independent public enquiry into particular aspects of competition in retail banking and the national payment system in South Africa in August 2006 (the "**Enquiry**"). The broad focus of the Enquiry was in relation to:

- (a) ATM fees, customer allocation, penalty fees which may be charged for unpaid debit orders and other related issues;
- (b) payment cards and interchange fees;
- (c) the National Payment System; and
- (d) pricing behaviour and market power.

In December 2008, the Enquiry panel of the South African Competition Commission published its full report. At the same time, the formation of an inter-governmental steering committee was announced. The steering committee is led by the National Treasury and will determine the official regulatory response to the recommendations of the Enquiry panel of the South African Competition Commission.

### ***Anti-money laundering legislation***

The offence of money laundering is regulated by the Prevention of Organised Crime Act, 1998 (as amended) ("**POCA**") and the Financial Intelligence Centre Act, 2001 (as amended) ("**FICA**"). POCA is an omnibus act dealing, among other things, with money laundering, racketeering and criminal and civil forfeiture, and sets out the substantive money laundering offences. FICA complements POCA and provides an administrative framework to combat money laundering. Generally, FICA requires any person who is employed by a business or who is in charge of or manages a business to report suspicious and unusual transactions relating to the proceeds of unlawful activities, connected to the affairs of such business, to the Financial Intelligence Centre. Both FICA and POCA are in keeping with worldwide trends aimed at curbing the proceeds of crime, money laundering and the funding of terrorism. In 2006, the SARB

commissioned two firms of auditors to verify compliance of banks with the requirements of the FICA. As a result of this audit, South African banks have made good progress in the implementation of anti-money laundering measures and combating the finance of terrorism.

### ***The SA Companies Act, winding-up and business rescue proceedings***

The SA Companies Act came into effect on 1 May 2011. Save as set out below, the SA Companies Act has replaced the Companies Act, 1973 (the “**Old Companies Act**”) in its entirety. The Issuer is subject to the applicable provisions of the SA Companies Act.

Under the SA Companies Act, subject to certain provisions set out in the transitional arrangements, every pre-existing company (including the Issuer) that was incorporated or registered under the Old Companies Act prior to 1 May 2011 will continue to exist as a company, as if it had been incorporated and registered under the SA Companies Act, with the same name and registration number previously assigned to it. Banks are categorised as “*for profit public companies*” under the SA Companies Act.

The SA Companies Act extends shareholders’ rights against companies and directors. Directors, prescribed officers and committee members will now face more extensive and potentially stricter grounds for personal liability for their actions as they relate to the company than they did under the Old Companies Act. The SA Companies Act introduces the possibility of class action suits against companies, directors and company officers by persons whose rights are affected by the company. Companies may thus face a greater risk of litigation and associated costs.

The SA Companies Act provides that, until a date to be determined by the Minister of Trade and Industry, the Old Companies Act will continue to apply with respect to the winding-up and liquidation of companies under the SA Companies Act, as if the Old Companies Act had not been repealed, subject to certain provisions set out in Schedule 5. Accordingly, the winding-up of companies continues to be regulated by both the Old Companies Act and the Insolvency Act, 1936 (as amended).

Chapter 6 of the SA Companies Act introduces “*business rescue proceedings*”, a substantively non-judicial, pre-insolvency commercial process that, in the first instance, aims to rescue a financially distressed company and maximise the likelihood of the company’s continued existence on a solvent basis. If business rescue is not possible, the aim is to ensure an outcome which provides a better return for the creditors or shareholders of a financially distressed company than would result from the immediate liquidation of the company. The business rescue process is formalised following the filing of a board resolution (or application to court to commence proceedings) and each significant step in the process permits the intervention of affected parties (being shareholders, creditors and employees (individually or through their representative trade unions) of the company) by application to the court. This does, however, remain a process between the business rescue practitioner (who will be a qualified professional experienced in managing companies in difficulty) and affected persons in devising a business rescue plan to rescue the company. Once appointed, a business rescue practitioner is given significant powers (subject to certain exceptions) to either cancel or suspend entirely, partially or conditionally any provision of an agreement to which a company is a party at the commencement of the business rescue period (other than an agreement of employment), notwithstanding any contrary provision contained in the agreement itself. Subject as set out below, judicial management has been replaced in its entirety by the business rescue proceedings of the SA Companies Act.

The impact of the business rescue provisions in the SA Companies Act on banks (and other special corporate entities) is not yet known as the relevant (and required) consequential amendments to the Banks Act (and other relevant legislation) have not yet been effected.

The winding-up of banks is further governed by the Banks Act and, pursuant to section 5(4)(b)(i)(gg) of the SA Companies Act, any applicable provisions of the Banks Act will prevail, except to the extent provided otherwise in the SA Companies Act. Under the Banks Act, the Registrar of Banks has the right to apply for the judicial management or winding-up of a bank and may oppose any such application by another person. In addition to liquidation and judicial management, a bank may, under the Banks Act, be placed under



curatorship by the Minister of Finance if the Registrar of Banks is of the opinion that the bank is in financial distress. In light of section 5(4)(b)(i)(gg) of the SA Companies Act (as read with the Banks Act), it would appear that a bank may still be placed under judicial management, notwithstanding that judicial management has been replaced in its entirety by the business rescue proceedings of the SA Companies Act.

### ***Protection of Personal Information Act, 2013***

The Protection of Personal Information Act (as amended) ("**POPI Act**") came into effect on 19 November 2013. There will be a 12 month period to allow for implementation of the requirements of the POPI Act. The POPI Act has been introduced to give effect to the constitutional right to privacy and protects individuals against the unlawful collection, use, retention and dissemination of personal information. This legislation places obligations on organisations in terms of the manner in which they obtain, capture, process, retain and destroy personal information, ensuring that consent is obtained and that the information is protected at all times, with specified exceptions.

The POPI Act will have a significant impact on how the Issuer presently processes customer and employee personal information on a confidential basis, implements measures to safeguard the information, retains the information for the purposes for which it was collected and disposes of the information when there is no longer a valid reason for which to keep the information. Pursuant to the requirements of the POPI Act, the chief information officer, the board of directors and management are required to understand their roles and responsibilities in respect of such requirements. Non-compliance with the POPI Act may lead to a civil action against the Issuer for damages, regardless of whether intent or negligence can be proven on the part of the responsible party and to an enforcement notice being issued by the appropriate authorities. Failure to comply with an enforcement notice would constitute an offence under the POPI Act, and may result in fines up to R10,000,000 or imprisonment. The Issuer is assessing all systems, processes, policies and practices given the proposed requirements and will implement changes in its management processes as necessary.

### ***SARB***

The SARB is responsible for bank regulation and supervision in South Africa with the purpose of achieving a sound, efficient banking system in the interest of the depositors of banks and the economy as a whole. The SARB has various internal departments, including FinSurv and the BSD. While FinSurv bears the responsibility for monitoring the Exchange Control Regulations, the BSD seeks to promote the soundness of the domestic banking system and to contribute to financial stability. The BSD performs this function through the office of the Registrar of Banks which issues banking licences to institutions and monitors their activities under the applicable legislation. The Registrar of Banks has extensive regulatory and supervisory powers. Every bank is obliged to furnish certain prescribed returns to the Registrar of Banks in order to enable him to monitor compliance with the formal, prudential and other requirements imposed on banks by, inter alia, the Banks Act. Such regulations may be and are amended from time to time in order to provide for amendments and additions to the prescribed returns, and the frequency of submission thereof. The Registrar of Banks acts with relative autonomy in executing his duties, but has to report annually to the Minister of Finance, who in turn has to table this report in Parliament. The extent of supervision entails the establishment of certain capital and liquidity requirements and the continuous monitoring of banks' adherence to legal requirements and other guidelines. The performance of individual banks is also monitored on an ongoing basis against developments in the banking sector as a whole. If deemed necessary, inspectors can be appointed to inspect the affairs of any bank, or any institution or person not registered as a bank if there is reason to suspect that such an institution or person is carrying on the business of banking.

Currently the banking industry operates within a three tiered framework, namely, the Banks Act, the Regulations Relating to Banks and circulars to the Banks Act. Effecting changes to the Banks Act requires Parliamentary approval and changes to the Regulations Relating to Banks require the approval of the Minister of Finance. The Steering Committee of the Accord Implementation Forum has proposed that the third tier be expanded to include guidance notes to detail agreed market practice. These guidance notes do not empower the SARB to create regulations but provide for more flexibility in clarifying market practice

within the confines of the Banks Act and regulations as agreed between market participants (*Accord Implementation Forum Steering Committee Position Paper 63*).

The Issuer holds a full banking licence issued by the Registrar of Banks and is an authorised financial services provider licensed by the Registrar of Financial Services Providers.

The Banks Act, the Regulations Relating to Banks and the circulars issued by the Registrar of Banks set out the framework governing the formal relationship between South African banks and the SARB. Pursuant to this legislation, the Issuer and representatives of the Registrar of Banks meet at regular bi-lateral meetings, annual trilateral meetings (with the Issuer's auditors) and annual prudential meetings. The Issuer also engages in regular “group discussions” with the Registrar of Banks to assess its performance against its peer group and it is subject to on-site reviews.

The Issuer's relationship with the Registrar of Banks is managed by a dedicated compliance department (which reports to the ABIL group risk officer) to ensure open, constructive and transparent lines of communication. Informal meetings, updates, trends and strategies are reported to the Registrar of Banks on a regular basis. The Issuer also employs a senior, independent compliance officer to ensure adherence to the applicable legislation.

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

## EXCHANGE CONTROLS

*The information below is not intended as legal advice and it does not purport to describe all the considerations that may be relevant to a prospective investor in the Notes. Prospective investors in the Notes who are non-South African residents or emigrants from the Common Monetary Area (as defined below) are urged to seek further professional advice with 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 FinSurv 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 Government has, however, committed itself to relaxing exchange controls gradually 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 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.

The prior approval of FinSurv was obtained for the establishment of the Programme, as well as all issuances under the Programme. The current exchange control approval of the Programme is scheduled to expire on or about 28 February 2014 and no further Notes may be issued after 28 February 2014 without further prior approval of FinSurv. In regard to future applications, FinSurv may seek to impose different or further conditions on the issue of each Tranche of Notes under the Programme, but this is not currently anticipated.

On 10 January 2014, African Bank has obtained the written approval of FinSurv to borrow a maximum of U.S.\$6,000,000,000 under the Programme in the foreign debt capital markets without prior reference to FinSurv, which approval is reviewable by FinSurv on an annual basis. Such approval shall be valid for a period of 12 months from 10 January 2014. The approval is conditional upon, among other things, the Notes issued having a maturity period ranging from 9 to 60 months and the Issuer furnishing FinSurv with details of the capital raised from, and the relevant interest or coupon payable on, any issue of Notes.

In addition, non-South African residents and/or their offshore subsidiaries may, without the prior written approval of FinSurv, subscribe for or purchase any Note or beneficially hold or own any Note.

South African residents and their offshore subsidiaries may not subscribe for or purchase Notes without the prior approval of FinSurv, with the exception of:

- South African institutional investors; and
- South African authorised dealers in foreign exchange,

who may subscribe for or purchase Notes by utilising their pre-approved prudential offshore allowances or applicable prudential limits, as the case may be. Such institutional investors and authorised dealers are urged to seek further professional advice with regard to any such subscription or purchase.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of Part A of the relevant Final Terms, which will be incorporated by reference into each Global Note or Global Certificate, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of Part A of the relevant Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these terms and conditions will have the meanings given to them in Part A of the relevant Final Terms. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in these terms and conditions to “Notes” are to the Notes of one Series only, not to all Notes that may be issued under the Programme. In the case of PD Exempt Instruments issued under the Programme, references to the Final Terms in these Conditions shall be construed as references to the Pricing Supplement.*

The Notes are issued pursuant to an Agency Agreement dated on or around 2 July 2010, as amended and restated on 22 January 2013 and 21 January 2014 (and as further amended or supplemented as at the Issue Date, the “**Agency Agreement**”) between the Issuer, Citibank N.A., London Branch as fiscal agent and transfer agent, and Citigroup Global Markets Deutschland AG as registrar and with the benefit of a Deed of Covenant dated on or around 2 July 2010, as amended and restated on 22 January 2013 and 21 January 2014 (as further amended or supplemented as at the Issue Date, the “**Deed of Covenant**”) executed by the Issuer in relation to the Notes. The fiscal agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) are referred to below respectively as the “**Fiscal Agent**”, the “**Paying Agents**” (which expression shall include the Fiscal Agent), the “**Registrar**”, the “**Transfer Agents**” and the “**Calculation Agent(s)**”, and which expressions include any successor fiscal agent, registrar, paying agent, transfer agent and calculation agent or additional agent appointed from time to time in connection with the Notes and, together, the “**Agent(s)**”. References herein to the “**Agents**” are to the Registrar, the Fiscal Agent, the Paying Agents and the Transfer Agents and any references to an “**Agent**” is to any one of them.

The Noteholders (as defined in Condition 18 (*Definitions*) below) and the holders of the interest coupons (the “**Coupons**”) relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the “**Talons**”) (the “**Couponholders**”) are bound by, and deemed to have notice of, all of the provisions of the Agency Agreement and the Deed of Covenant applicable to them.

In these Conditions, “**Noteholder**” means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be), “**holder**” (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or, as the case may be, the person in whose name a Registered Note is registered in the register, as defined below (or, in the case of a joint holding, the first named thereof).

Capitalised terms have the meanings given to them in the relevant Final Terms, the absence of any such meaning indicating that such term is not applicable to the Notes. Defined terms used herein have the meanings set out in Condition 18 (*Definitions*) hereof.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents, the initial specified offices of which are set out in the Agency Agreement.

### ***1. Form, Denomination and Title***

The Notes may be issued in bearer form (the “**Bearer Notes**”) or in registered form (the “**Registered Notes**”) as specified in the relevant Final Terms in each case in the Specified Denomination(s) as indicated in the relevant Final Terms and may be held in holdings equal to any specified minimum amount and

integral multiples equal to any specified increment (each, an “**Authorised Holding**”). In the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a Prospectus under the Prospectus Directive, the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes). All Registered Notes shall have the same Specified Denomination.

This Note is a Senior Note, a Subordinated Note or a Tier 2 Note, as indicated in the relevant Final Terms. This Note is a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, depending upon the Interest Basis indicated in the relevant Final Terms.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable.

Registered Notes are represented by registered certificates (“**Certificates**”) and, save as provided in Condition 2 (*Transfers of Registered Notes*), each Certificate shall represent the entire holding of Registered Notes by the same holder. Each Certificate will be numbered serially with an identifying number which will be recorded in the register which the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the “**Register**”).

Title to the Bearer Notes, the Coupons and the Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the Register maintained by the Registrar in accordance with the provisions of the Agency Agreement. Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate), other than the endorsed form of transfer, in the case of Registered Notes, and no Person shall be liable for so treating the holder.

## **2. Transfers of Registered Notes**

- (a) **Transfer of Registered Notes:** Subject to Conditions 2(e) (*Regulations Concerning Transfers and Registration*) and 2(f) (*Closed Periods*), Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the relevant Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or (as the case may be) such Transfer Agent 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 Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Authorised Holdings. In the case of a transfer of only part of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Notes to a Person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.
- (b) **Exercise of Options or Partial Redemption in respect of Registered Notes:** In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a redemption of, only some of a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same

holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent.

- (c) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Conditions 2(a) (*Transfer of Registered Notes*) or (b) (*Exercise of Options or Partial Redemption in respect of Registered Notes*) shall be available for delivery within five business days of receipt of the request for exchange, form of transfer or Exercise Notice (as defined in Condition 6(f)(ii) (*Redemption at the Option of Noteholders – Exercise Notice*)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such request for exchange, form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant request for exchange, form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery (at the risk of such holder) and/or such insurance as it may specify. In this Condition 2(c), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business (including dealings in foreign currencies) in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (d) **Exchange and Transfer Free of Charge:** The exchange and transfer of Registered Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (e) **Regulations Concerning Transfers and Registration:** All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.
- (f) **Closed Periods:** No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of that Note, (ii) during the period of 15 days prior to any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(e) (*Redemption at the Option of the Issuer*), (iii) after any such Note has been called for redemption by the Issuer pursuant to Condition 6(e) (*Redemption at the Option of the Issuer*) or (iv) during the period of seven days ending on (and including) any Record Date.

### 3. **Status**

- (a) **Status of the Senior Notes:** The Senior Notes and the Coupons relating to them constitute direct, unconditional and (subject to Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer which will at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Coupons relating to them shall, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application and subject to Condition 4 (*Negative Pledge*), at all times rank at least *pari passu* with all other unsecured and unsubordinated indebtedness and other monetary obligations of the Issuer, present and future.
- (b) **Status of the Subordinated Notes:** The Subordinated Notes and the Coupons relating to them constitute direct, unconditional, subordinated and unsecured obligations of the Issuer, and subject to Conditions 3(c) (*Status of the Tier 2 Notes*), 5(d) (*Refund of Principal and Interest in respect of Tier 2 Notes*) and to the Capital Regulations applicable to Tier 2 Notes, will at all times rank *pari*

*passu* and without any preference among themselves. The payment obligations of the Issuer under the Subordinated Notes and the Coupons relating to them shall, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application and subject to Condition 4 (*Negative Pledge*), at all times rank at least *pari passu* with all other unsecured and subordinated indebtedness and other monetary obligations of the Issuer, present and future.

Subject to applicable law, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound-up, the claims of the Persons entitled to be paid amounts due in respect of the Subordinated Notes and the Coupons relating to them shall be subordinated to all other claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness. Accordingly, in any such event no amount shall be eligible for set-off or shall be payable to any or all of the Persons entitled to be paid amounts due in respect of the Subordinated Notes or the Coupons relating to them in respect of the obligations of the Issuer thereunder until all other indebtedness of the Issuer which is admissible in any such dissolution, insolvency or winding-up (other than Subordinated Indebtedness) has been paid or discharged in full.

- (c) **Status of the Tier 2 Notes:** For the avoidance of doubt, all Tier 2 Notes are Subordinated Notes and Condition 3(b) (*Status of the Subordinated Notes*) applies to Tier 2 Notes. Further, Tier 2 Notes must comply with the applicable Capital Regulations (and the Additional Conditions (if any) in respect of such Tier 2 Notes).

In compliance with and subject to such Capital Regulations:

- (i) Tier 2 Noteholders shall not have the right to accelerate the payment of future scheduled payments, including principal, interest and any additional amounts, except in the case of a bankruptcy and/or liquidation of the Issuer;
- (ii) Tier 2 Notes must have a minimum maturity of five years and one day; and
- (iii) until duly enforceable legislation is in place that (1) requires the Tier 2 Note to be written off upon the occurrence of a bankruptcy and/or liquidation of the Issuer; or (2) otherwise requires the Tier 2 Note to fully absorb loss before tax payers or ordinary depositors are exposed to loss, the Tier 2 Notes shall, at the option of the Registrar of Banks, either be written off or converted into the most subordinated form of equity of the Issuer or its controlling company, upon the occurrence of the trigger event specified in writing by the Registrar of Banks (a “**Trigger Event**”).

As a minimum requirement, the aforesaid Trigger Event shall be the earlier of (1) a decision that a write-off, without which the Issuer would become non-viable, is necessary, as determined by the Registrar of Banks; or (2) the decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by the Registrar of Banks.

If duly enforceable legislation contemplated in (iii) above:

- i) is in place at the Issue Date of the first Tranche of any Series of Tier 2 Notes, such Tier 2 Notes shall be subject to such legislation to the extent specified in the relevant Final Terms; or
- ii) becomes effective after the Issue Date of the first Tranche of any Series of Tier 2 Notes, and as a result thereof a Regulatory Event occurs in respect of such Tier 2 Notes, the provisions of Condition 3(d) (*Substitution and Variation of the Tier 2 Notes*) shall apply to such Tier 2 Notes.

Under the laws of South Africa, the direct or indirect acquisition of a Tier 2 Note by a bank or controlling company (all as defined in the Banks Act) or by a non-bank subsidiary of a bank or controlling company, will result in an impairment to the capital of such bank or controlling

company, in an amount determined in accordance with and subject to the Regulations Relating to Banks.

- (d) **Substitution and Variation of the Tier 2 Notes:** Subject to the Issuer having notified the FCA at least one month before (or such other period as the FCA may then require or accept) and no objection thereto having been raised by the FCA or (if required) the FCA having provided its consent thereto, if a Regulatory Event has occurred and is continuing, the Issuer may, without any requirement for the consent or approval of the holders of Tier 2 Notes ("**Tier 2 Noteholders**"), elect to substitute all (but not only some) of the Tier 2 Notes for, or vary the terms of the Tier 2 Notes, so that they will, or will continue to qualify as Tier 2 Capital under the Capital Regulations and the Additional Conditions (if any) by giving not less than 30 days nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable). Upon the expiry of such notice, the Issuer shall either vary the terms of, or substitute, the Tier 2 Notes in accordance with this Condition 3(d) (*Substitution and Variation of the Tier 2 Notes*), as the case may be.

#### **4. *Negative Pledge***

This Condition 4 applies only to Senior Notes. So long as any Senior Notes remain outstanding, the Issuer will not create, or have outstanding any Security Interest upon any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness without at the same time or prior thereto according to the Senior Notes or Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security as shall be approved by Extraordinary Resolution of the Noteholders, unless the provision of any such security is waived by an Extraordinary Resolution of the Noteholders.

#### **5. *Interest and Other Calculations***

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f) (*Calculations*).
- (b) **Interest on Floating Rate Notes:**
- (i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding principal amount from the Interest Commencement Date at the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(f) (*Calculations*).
  - (ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, such date shall be adjusted in accordance with the relevant Business Day Convention.
  - (iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the relevant Final Terms and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the relevant Final Terms.



(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as the sum of the Margin and the relevant ISDA Rate. For the purposes of this sub-paragraph (A), “ISDA Rate” for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as a 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 is as specified in the relevant Final Terms;
- (ii) the Designated Maturity is a period specified in the relevant Final Terms; and
- (iii) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Final Terms.

For the purposes of this sub-paragraph (A), “Floating Rate”, “Floating Rate Option”, “Designated Maturity” and “Reset Date” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

- (i) Where Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page at the Relevant Time on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

- (ii) If the Relevant Screen Page is not available or if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the Relevant Time, subject as provided below, the Calculation Agent shall request, the office of each Reference Bank, located in the Relevant Financial Centre to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Relevant Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of

Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.

- (iii) If paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered at approximately the Relevant Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the interbank market of the Relevant Financial Centre, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Relevant Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in the Relevant Centre, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).
- (c) **Zero Coupon Notes:** If the Redemption Amount of a Note, the Interest Basis of which is specified to be Zero Coupon, is repayable prior to the Maturity Date and is not paid when due, or improperly withheld or refused, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield.
- (d) **Deferral of Principal and Interest in respect of Tier 2 Notes:** If so set out in the relevant Final Terms, the Issuer will have the right to defer the due date for payment of principal and/or interest in relation to the Tier 2 Notes. The Issuer will also have the right to elect not to pay (or waive) interest in relation to the Tier 2 Notes.
- (e) **Accrual of Interest:** Interest shall cease to accrue on each Note from the due date for redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which event it shall continue to bear interest in accordance with Condition 5 (*Interest and Other Calculations*) (after as well as before judgement) at the Rate of Interest in the manner provided in this Condition 5 (*Interest and Other Calculations*) to the Relevant Date (as defined in Condition 8 (*Taxation*)).

- (f) **Margin, Maximum/Minimum Rates of Interest and Redemption Amounts and Rounding:**
- (i) If any Margin is specified in the relevant Final Terms (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) (*Interest on Floating Rate Notes*) by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.
  - (ii) If any Maximum or Minimum Rate of Interest or Redemption Amount is specified in the relevant Final Terms, then any Rate of Interest, or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
  - (iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes “**unit**” means the lowest amount of such currency that is available as legal tender in the country or countries, as the case may be, of such currency.
- (g) **Calculations:** The amount of interest payable in respect of each Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the relevant Final Terms, and the Day Count Fraction for such Interest Accrual Period, 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., provided that where an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.
- (h) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts and Optional Redemption Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any

quotation or make any other determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other competent authority so require, such exchange or other competent authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii) (*Business Day Convention*), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10 (*Events of Default*), the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

- (i) **Calculation Agent:** The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the relevant Final Terms and for so long as any Note is outstanding (as defined in the Agency Agreement). Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, , Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or investment banking firm engaged in the interbank market to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

## 6. ***Redemption, Purchase and Options***

### (a) **Final Redemption:**

Unless previously redeemed, or purchased and cancelled, each Note will be finally redeemed on the Maturity Date specified in the relevant Final Terms at its Final Redemption Amount.

(b) **Early Redemption:**

(i) Zero Coupon Notes:

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, upon redemption of such Note pursuant to Condition 6(c) (*Redemption for Taxation Reasons*) or upon it becoming due and payable as provided in Condition 10 (*Events of Default*) shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified in the relevant Final Terms.
- (B) Subject to the provisions of sub-paragraph (C) below, the amortised face amount (the “**Amortised Face Amount**”) of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield set out in the relevant Final Terms (which, if none is shown in the relevant Final Terms, shall be such rate as would produce an amortised face amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) (*Redemption for Taxation Reasons*) or upon it becoming due and payable as provided in Condition 10 (*Events of Default*) is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgement) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c) (*Accrual of Interest*).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the relevant Final Terms.

- (ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) (*Redemption for Taxation Reasons*) or Condition 6(d) (*Redemption for Regulatory Reasons*) or upon it becoming due and payable as provided in Condition 10 (*Events of Default*), shall be the Final Redemption Amount unless otherwise specified in the relevant Final Terms.
- (c) **Redemption for Taxation Reasons**: The Notes may be redeemed at the option of the Issuer (except where such Note is a Tier 2 Note, which may be redeemed only with the prior consent of the Registrar of Banks) in whole, but not in part, on any Interest Payment Date (if such Note is a Floating Rate Note) or at any time (if such Note is not a Floating Rate Note), on giving not less than 15 nor more than 30 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b)(ii) (*Other Notes*)) (together with interest accrued to the date fixed for redemption), if a Tax Event occurs and is continuing, provided, however, that:

- (i) where the Notes may be redeemed at any time, no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due or would not be entitled (or such entitlement is materially reduced) to claim a deduction in computing its taxation liabilities; or
- (ii) where the Notes may be redeemed only on an Interest Payment Date, no such notice of redemption shall be given earlier than 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 if a payment in respect of the Notes were then due or would not be entitled (or such entitlement is materially reduced) to claim a deduction in computing its taxation liabilities.

Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal or tax advisers of recognised standing to the effect that a Tax Event has occurred.

- (d) **Redemption for Regulatory Reasons:** If so specified in the relevant Final Terms, Subordinated Notes may be redeemed at the option of the Issuer (except where such Subordinated Note is a Tier 2 Note, which may be redeemed only with the prior consent of the Registrar of Banks) in whole, but not in part, on any Interest Payment Date (if such Note is a Floating Rate Note) or at any time (if such Note is not a Floating Rate Note), on giving not less than 15 nor more than 30 days' notice to the Noteholders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 6(b)(ii) (*Other Notes*)) (together with interest accrued to the date fixed for redemption), if a Regulatory Event occurs and is continuing.

Before the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent (i) a certificate signed by two duly authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) unless the Registrar of Banks has confirmed to the Issuer that the proceeds of the issue of the relevant Notes are not eligible to qualify as Tier 2 Capital of the Issuer, an opinion of independent advisers of recognised standing to the effect that a Regulatory Event has occurred. The occurrence of a Regulatory Event shall also give rise to the substitution and variation right of the Issuer referred to in Condition 3(d) (*Substitution and Variation of the Tier 2 Notes*).

- (e) **Redemption at the Option of the Issuer:** If a Call Option is specified in the relevant Final Terms, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified in the relevant Final Terms) redeem all or, if so provided, part of the Notes (except where such Note is a Tier 2 Note, which may be redeemed only with the prior consent of the Registrar of Banks) on any Optional Redemption Date (Call). Any such redemption of Notes shall be at their Optional Redemption Amount (Call) together with interest accrued (if any) to such date.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(e) (*Redemption at the Option of the Issuer*).

In the case of a partial redemption the notice to Noteholders shall also specify the principal amount of Notes drawn and the holder(s) of such Notes to be redeemed, which shall have been drawn in such place and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(f) **Redemption at the Option of Noteholders:**

- (i) *Put Option:* If Put Option is specified in the relevant Final Terms, the Issuer shall, at the option of the holder of any such Note (other than any Subordinated Notes), upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified in the relevant Final Terms), redeem such Note on the Optional Redemption Date(s) (Put) specified in the relevant Exercise Notice at its Optional Redemption Amount together (if applicable) with interest accrued (if any) to the date fixed for redemption.
- (ii) *Exercise Notice:* In order to exercise the option contained in Condition 6(f)(i) (*Put Option*), the holder must, not less than 15 nor more than 30 days before the relevant Option Redemption Date (Put) deposit (in the case of a Bearer Note) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent or (in the case of a Registered Note) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the relevant period. No Note, Coupon or Certificate so deposited and option so exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.
- (g) **Purchases:** The Issuer and any Subsidiary may at any time purchase Notes (except where such Note is a Tier 2 Note, which may be purchased only with the prior consent of the Registrar of Banks) (provided that all unmatured Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. Notes so purchased, while held by or on behalf of the Issuer or any Subsidiary, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating the quorum at any meeting of Noteholders or for the purposes of Conditions 10 (*Events of Default*) and 11(a) (*Meetings of Noteholders*).
- (h) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any Subsidiary may be surrendered for cancellation, in the case of a Bearer Note by surrendering such Note together with all unmatured Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of a Registered Note, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. **Payments**

- (a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the Notes (in the case of payments of principal and, in the case of interest, as specified in Condition 7(f)(v)) or Coupons (in the case of interest, save as specified in Condition 7(f)(ii)), as the case may be, at the specified office of any Paying Agent outside the United States by transfer to an account denominated in such currency with a bank in the Principal Financial Centre for such currency. Notwithstanding the above, in case of any payment in Renminbi, payment shall be made by transfer to a Renminbi account maintained by or on behalf of a holder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth Business Day before the due date for payment.
- (b) **Principal and Interest:**
  - (i) *Principal:* Payments of principal in respect of Registered Notes shall be made against presentation and surrender or, in the case of part payment of any sum due, endorsement,

of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

- (ii) *Interest:* Interest on Registered Notes shall be paid to the Person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”). Payments of interest on each Registered Note shall be made in the relevant currency by cheque drawn on a Bank and mailed (at the holder’s risk) to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank.
  - (iii) Notwithstanding the foregoing, if so specified in the Final Terms, the Issuer will have the right to defer the due date for payment of principal and/or interest in relation to the Tier 2 Notes. The Issuer will also have the right to elect not to pay (or waive) interest in relation to the Tier 2 Notes.
- (c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. Dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.
- (d) **Payments subject to fiscal laws:** All payments are subject in all cases to (i) any applicable fiscal laws or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of FATCA or otherwise imposed pursuant to Sections 1471 through 1474 of FATCA, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) **Appointment of Agents:** The Agents initially appointed by the Issuer and their respective specified offices are listed below. The Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of any of the Agents and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) such other agents as may be required by any other stock exchange on which the Notes may be listed and (vi) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000. In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. Dollars in the circumstances described in paragraph (c) above. Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.
- (f) **Unmatured Coupons and unexchanged Talons:**
  - (i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes they should be surrendered for payment together with all unexpired Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unexpired



Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9 (*Prescription*)).

- (ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.
- (iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.
- (iv) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may reasonably require.
- (v) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Note. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.
- (g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9 (*Prescription*)).
- (h) **Non-Business Days:** If any date for payment in respect of any Note or Coupon is not a Business Day, the holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment.
- (i) **Payment of U.S. Dollar Equivalent for CNH Notes**

Notwithstanding any other provisions in these Conditions, if by reason of Inconvertibility, Non-transferability or Illiquidity, the Issuer is not able to satisfy any payment due under any CNH Notes or the Coupons relating to such CNH Notes, the Issuer shall, on giving not less than five and not more than 30 calendar days' irrevocable notice to the Noteholders prior to the due date for the relevant repayment in accordance with Condition 14 (*Notices*), settle such payment in U.S. Dollars on the due date at the U.S. Dollar Equivalent of any such Renminbi denominated amount.

Any payment made in the U.S. Dollar Equivalent of a Renminbi amount under this Condition 5(i) will constitute valid payment, and will not constitute a default in respect of the CNH Notes.

## 8. **Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or

governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within South Africa or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders and Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note:

- (a) to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with South Africa other than the mere holding of the Note or Coupon; or
- (b) presented or (if applicable) surrendered (or (if applicable) in respect of which the relevant Certificate is presented or (if applicable) surrendered) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting or, as the case may be, surrendering it for payment on such thirtieth day; or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) presented or (if applicable) surrendered or (if applicable) in respect of which the relevant Certificate is presented or (if applicable) surrendered) for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting or, as the case may be, surrendering the relevant Note, or Coupon (if applicable) the relevant Certificate to another Paying Agent in a Member State of the European Union.

If the Issuer becomes subject generally at any time to any taxing jurisdiction, authority or agency other than or in addition to South Africa, references in this Condition 8 and in Condition 6(c) (*Redemption for Taxation Reasons*) to South Africa shall be read and construed as references to South Africa and/or to such other jurisdiction, authority or agency.

References in these Conditions to (i) “**principal**” shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 (*Redemption, Purchase and Options*) or any amendment or supplement to it, (ii) “**interest**” shall (except as provided in Condition 7(a) (*Bearer Notes*)) be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 (*Interest and Other Calculations*) or any amendment or supplement to it and (iii) “**principal**” and/or “**interest**” shall be deemed to include any additional amounts that may be payable under this Condition.

Notwithstanding anything to the contrary in this Condition 8, none of the Issuer, any Paying Agent or any other Person shall be required to pay any additional amounts with respect to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of FATCA or otherwise imposed pursuant to Sections 1471 through 1474 of FATCA, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

## **9. Prescription**

Claims against the Issuer for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

**10. Events of Default**

- (a) **Senior Notes:** If any of the following events occur, the holder of any Senior Note may by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent, declare that such Senior Note is immediately due and repayable, whereupon the Early Redemption Amount of such Senior Note together with accrued interest to the date of redemption shall become immediately due and payable, unless such Event of Default shall have been remedied prior to the receipt of such notice by the Fiscal Agent:
- (i) **Non-Payment:** default is made for more than five Business Days in the payment on the due date of principal or interest in respect of any of the Notes; or
  - (ii) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations under or in respect of the Notes and such default is incapable of remedy or is not remedied within 30 calendar days after written notice of such default addressed to the Issuer shall have been delivered to the Issuer or the Fiscal Agent at its specified office by any Noteholder; or
  - (iii) **Cross-Acceleration:** the Issuer or any Material Subsidiary defaults in the payment of the principal or interest or any obligations in respect of Borrowed Money (as defined below) of, or assumed, guaranteed or indemnified by, the Issuer or any Material Subsidiary (i) when and as the same shall become due and payable (or, as the case may be, within any applicable grace period) or where notice has been given to the Issuer or any Material Subsidiary, as the case may be, of the default and if such default shall have continued for more than the notice period (if any) applicable thereto and the time for payment of such interest or principal has not been effectively extended; or (ii) when and if any such obligations of, or assumed, guaranteed or indemnified by, the Issuer or any Material Subsidiary shall have become repayable before the due date thereof as a result of acceleration of maturity by reason of the occurrence of any event of default or the like (howsoever described) thereunder; or
  - (iv) **Authorisations and Consents:** any action, condition or thing including the obtaining of any consent, licence, approval or authorisation now or hereafter necessary to enable the Issuer to comply with its obligations under the Notes is not taken, fulfilled or done, or any such consent, licence, approval or authorisation, shall be revoked, modified, withdrawn or withheld or shall cease to remain in full force and effect resulting in (i) the Issuer being unable to perform any of its payment or other obligations under the terms of the Notes, (ii) the Issuer's obligations under the Notes not being legally binding and enforceable, or (iii) the Notes not being admissible in evidence in the courts of South Africa; or
  - (v) **Insolvency and Winding-Up:** the Issuer or any Material Subsidiary (i) stops or threatens to stop payment of, or is insolvent or bankrupt or unable to, or admits to being unable to pay its debts (or any class of its debts) as they fall due, or is deemed by a court to be insolvent or bankrupt or unable to pay its debts (or any class of its debts); or (ii) is placed in liquidation, dissolved or is wound-up, whether provisionally or finally or is placed under any business rescue proceedings, whether provisionally or finally, or any process similar thereto, and if such order or process is on a provisional basis it is not dismissed or withdrawn within 30 days thereof, or an order is made or an effective resolution is passed for the winding-up, dissolution or liquidation of the Issuer or any Material Subsidiary save for the purposes of a merger, amalgamation, consolidation, demerger, reconstruction or reorganisation or other similar arrangement within the ABIL Group on terms approved by Extraordinary Resolution of the Noteholders, or (iii) makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of or affecting all or any part of the debts of the Issuer, or any Material Subsidiary; or

- (vi) **Security Enforced:** any mortgage, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any Material Subsidiary in respect of Borrowed Money of the Issuer or any Material Subsidiary becomes enforceable and the holder thereof has taken any steps to enforce it unless such enforcement is discharged within 45 days or the Issuer is contesting such enforcement in good faith; or
  - (vii) **Cessation of Business:** the Issuer or any Material Subsidiary ceases or threatens to cease to carry on the whole or a substantial part of its business or disposes of the whole or a substantial part of its business or operations, other than in terms of a merger, amalgamation, consolidation, reconstruction or reorganisation within the ABIL Group on terms approved by Extraordinary Resolution of the Noteholders; or
  - (viii) **Nationalisation:** any step is taken by or under any authority with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or any of the Issuer or any Material Subsidiary or any of the securities issued by the Issuer or any Material Subsidiary or a material part of the assets of the Issuer or any Material Subsidiary; or
  - (ix) **Judicial Proceedings:** the Issuer or any Material Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable compromise with creditors, liquidation, winding-up or insolvency or other similar laws (including business rescue proceedings) or compromises, or attempts to compromise, with its creditors generally (or any significant class of creditors) or any meeting of creditors is convened by the Issuer or any Material Subsidiary to consider a proposal for an arrangement of compromise with its creditors generally (or any significant class of its creditors); or
  - (x) **Enforcement Proceedings:** proceedings, including, without limitation, distress, attachment, execution or other legal process, are initiated against the Issuer or any Material Subsidiary such that a Person takes possession of the whole or a material part of the undertaking or assets of any of them, or an execution or attachment or other process is levied, enforced upon, sued out or put in force against the whole or a material part of the undertaking or assets of any of them and such is not discharged, withdrawn or stayed within 30 calendar days; or
  - (xi) **Unlawfulness:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes; or
  - (xii) **Analogous Events:** any event occurs, which under the laws of South Africa, has an analogous effect to any of the events referred to in paragraphs (v)-(x) above.
- (b) **Events of Default relating to the Subordinated Notes (including Tier 2 Notes):**
- (i) If the Issuer defaults for more than five Business Days in the payment on the due date of principal or interest in respect of any Subordinated Note, the holder of such Subordinated Note may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove in any winding-up of the Issuer, but take no other action in respect of that default.
  - (ii) If an order is made or an effective resolution is passed for the winding-up of the Issuer (other than pursuant to a Solvent Reconstruction), a Subordinated Note shall, upon written notice from the holder of such Subordinated 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 (subject to the Capital Regulations), whereupon it shall become immediately due and payable at its nominal amount together with accrued interest (if any) without further action or formality.

- (iii) Without prejudice to paragraphs (i) or (ii) above, if the Issuer breaches any of its obligations under the Subordinated Notes (other than any obligation in respect of the payment of principal or interest on such Subordinated Notes) then each Subordinated 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 Subordinated Notes earlier than the same would otherwise have been payable by it.
- (iv) The rights of the holder of a Tier 2 Note shall be subject to any condition which requires such Tier 2 Note, to either be written off or converted into the most subordinated form of equity upon the occurrence of certain trigger events in accordance with the applicable Capital Regulations in respect of Tier 2 Notes (and subject further to the Additional Conditions, if any, prescribed by the Registrar of Banks in respect of that Tranche of Tier 2 Notes).

## 11. *Meetings of Noteholders and Modification*

- (a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions. 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 10 per cent. of the aggregate principal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more Persons holding or representing a clear majority in aggregate principal amount of the Notes for the time being outstanding, or at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals (i) to amend the dates of maturity or redemption of the Notes, or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest or Redemption Amount is shown in the relevant Final Terms, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass an Extraordinary Resolution, or (viii) to change the governing law of the Notes, in which case the necessary quorum shall be two or more Persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., of the aggregate principal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Final Terms in relation to such Series.

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 or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement shall only agree to any modification of the Agency Agreement

(including any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Agency Agreement) which is of a formal, minor or technical nature, or is made to correct a manifest error, or which, in the opinion of such parties, could not reasonably be expected to be prejudicial to the interests of the Noteholders.

## **12. Replacement of Notes, Coupons and Talons**

If a Note, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent in London (in the case of Bearer Notes, Coupons or Talons) and of the Registrar (in the case of the Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificate, Coupons or further Coupons) and otherwise as the Issuer may reasonably require). Mutilated or defaced Notes, Certificate, Coupons or Talons must be surrendered before replacements will be issued.

## **13. Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (so that, for the avoidance of doubt, references in the conditions of such notes to “**Issue Date**” shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to “**Notes**” shall be construed accordingly.

## **14. Notices**

The Issuer shall ensure that notices are duly published in a manner that complies with the relevant rules of any stock exchange or other relevant authority on which the Notes are for the time being or by which they have for the time being admitted to trading. Any such notice shall be deemed to have been given on the date of such publication.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition.

## **15. Currency Indemnity**

If any sum due from the Issuer in respect of the Notes or the Coupons 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.

**16. Contracts (Rights of Third Parties) Act 1999**

No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

**17. Governing Law and Jurisdiction**

- (a) **Governing Law:** The Notes, these Conditions (other than Conditions 3(c) (*Status of the Tier 2 Notes*), 3(d) (*Substitution and Variation of the Tier 2 Notes*) and 10(b) (*Events of Default relating to the Subordinated Notes (including Tier 2 Notes)*)), which are governed by the laws of South Africa) the Coupons and the Talons and any non-contractual obligations arising out of or in connection with the Notes, the Coupons and the Talons are governed by, and shall be construed in accordance with, English law.
- (b) **Jurisdiction:** The courts of England have jurisdiction to settle any Disputes and accordingly any Proceedings may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Notes, Coupons and Talons only, and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- (c) **Appropriate Forum:** The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Dispute, and agrees not to claim that any such court is not a convenient or appropriate forum.
- (d) **Service of Process:** The Issuer appoints Law Debenture Corporate Services Limited of fifth floor, 100 Wood Street, London EC2V 7EX as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14 (*Notices*). Nothing shall affect the right of any Noteholder to serve process in any manner permitted by law.
- (e) **Consent to Enforcement etc.:** The Issuer consents generally in respect of any Proceedings anywhere to the giving of any relief or the issue of any process in connection with those Proceedings including (without limitation) the making, enforcement or execution against any assets whatsoever (irrespective of its use or intended use) of any order or judgment which is made or given in such Proceedings.

**18. Definitions**

In these Conditions, the following expressions have the following meanings:

“**ABIL Group**” means ABIL and all its Subsidiaries.

“**Additional Conditions**” means, in relation to any issue of Tier 2 Notes, such conditions (in addition to the conditions specified in the applicable Capital Regulations) as may be prescribed by the Registrar of Banks for the proceeds of the issue of such Notes to qualify as Tier 2 Capital pursuant to the approval granted by the Registrar of Banks for the issue of such Tier 2 Notes.

“**Authorised Holding**” has the meaning set out in Condition 1 (*Form, Denomination and Title*).

“**Banks Act**” means the South African Banks Act, 1990.

**“Borrowed Money”** means any present or future borrowed money or other arrangement with the same commercial effect as borrowed money denominated or containing a right or requirement for any payment in respect thereof to be made in any currency and amounting in aggregate to not less than U.S.\$10,000,000 (or its equivalent in other currencies).

**“Business Day”** means:

- (i) in the case of a currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or
- (ii) in the case of Euro, a TARGET Business Day; and/or
- (iii) in the case of a currency and/or one or more Financial Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Financial Centre(s) or, if no currency is indicated, generally in each of the Financial Centres; or
- (iv) in the case of Renminbi, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets are open for business and settlement of payments in Renminbi in Hong Kong.

**“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 that 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.

**“Calculation Agent”** means Citibank N.A., London Branch, as Calculation Agent under the Agency Agreement or such other Calculation Agent(s) as may be appointed under the Agency Agreement from time to time either generally or in relation to a specific issue or Series of Notes.

**“Calculation Amount”** means the amount, if any, specified in the relevant Final Terms.

**“Capital Regulations”** means, at any time, any legislation, regulations, requirements, guidelines and policies relating to capital adequacy then in effect in South Africa in relation to banks registered under the Banks Act and licensed to conduct the business of a bank in South Africa.

**“Certificate”** means a registered certificate representing the Notes.

**“Controlling Company”** means ABIL and/or any other company which is a *“controlling company”* in relation to the Issuer as contemplated by the Banks Act.

**“Day Count Fraction”** means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period of Interest Accrual Period, the **“Calculation Period”**):

- (i) if **“Actual/365”** or **“Actual/Actual-ISDA”** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that 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);
- (ii) if **“Actual/365 (Fixed)”** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 365;
- (iii) if **“Actual/360”** is specified in the relevant Final Terms, the actual number of days in the Calculation Period divided by 360;
- (iv) if **“30/360”**, **“360/360”** or **“Bond Basis”** is specified in the relevant Final Terms, 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;

if “**30E/360**” or “**Eurobond Basis**” is specified in the relevant Final Terms, 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 and D1 is greater than 29, in which case D2 will be 30.

- (v) if “**30E/360 (ISDA)**” is specified in the relevant Final Terms, 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 D2 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; and

- (vi) if “**Actual/Actual-ICMA**” is specified in the relevant Final Terms,
- (1) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
  - (2) if the Calculation Period is longer than one Determination Period, the sum of:
    - (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
    - (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year.

“**Determination Date**” means the date specified as such in the relevant Final Terms or, if none is so specified, the Interest Payment Date.

“**Determination Period**” means the period from and including a Determination Date in any year to but excluding the next Determination Date.

“**Disputes**” means any disputes that may arise out of or in connection with any Notes, Coupons or Talons (including any dispute relating to their existence, validity or termination or any non-contractual obligations arising out of or in connection with them).

“**Dual Currency Note**” means a Note specified as such in the relevant Final Terms.

“**Euro-zone**” means the region comprising member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“**Event of Default**” means any of the events specified in Condition 10 (*Events of Default*).

“**Exercise Notice**” has the meaning given thereto in Condition 6(f)(ii) (*Redemption at the Option of Noteholders – Exercise Notice*).

“**Extraordinary Resolution**” has the meaning given thereto in the Agency Agreement.

“**FATCA**” means sections 1471 and 1472 of the Internal Revenue Code of 1986, as amended (including the United States Treasury regulations and other guidance issued and any agreements entered into thereunder).

“**Fixed Coupon Amount**” means the amount, if any, specified in the relevant Final Terms.

“**Fixed Interest Payment Date**” means the date, if any, specified in the relevant Final Terms.

“**Fixed Rate Note**” means a Note paying a fixed rate of interest.

“**Floating Rate Note**” means a Note paying a floating rate of interest.

“**Governmental Authority**” means any de facto or de jure government (or any agency or instrumentality thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets of Hong Kong or the PRC.

**“Illiquidity”** means the general Renminbi exchange market in Hong Kong has become illiquid, as a result of which, it becomes impossible or, having used its reasonable endeavours, impracticable for the Issuer to obtain sufficient Renminbi in order to satisfy (in full or in part) its obligation to make any payment due under the CNH Notes or the Coupons related thereto, as determined by the Issuer acting in good faith and in a commercially reasonable manner following consultation (if practicable) with two Renminbi Dealers.

**“Inconvertibility”** means the occurrence of any event as a result of which it becomes impossible or impracticable, for the Issuer to convert any amount due in respect of the CNH Notes or the Coupons related thereto in the general Renminbi exchange market in Hong Kong, other than where such impossibility or impracticability is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the date on which the first Tranche of CNH Notes is issued and it is impossible or impracticable for the Issuer to comply with such law, rule or regulation due to an event beyond its control), in each case as determined by the Issuer acting in good faith and in a commercially reasonable manner following consultation (if practicable) with two Renminbi Dealers.

**“Interest Accrual Period”** means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

**“Interest Amount”** means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the relevant Final Terms, shall mean the Fixed Coupon Amount or Broken Amount specified in the relevant Final Terms as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

**“Interest Commencement Date”** means the Issue Date or such other date as may be specified in the relevant Final Terms.

**“Interest Determination Date”** means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Final Terms or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro.

**“Interest Payment Date”** means the first Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, 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 the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the First Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

**“Interest Period Date”** means each Interest Payment Date unless otherwise specified in the relevant Final Terms.

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

**“Material Subsidiary”** means a Subsidiary which represents more than 10 per cent. of the total assets of the Issuer as reflected in the Issuer’s most recent consolidated audited financial statements.

**“Non-transferability”** means the occurrence of any event as a result of which it becomes impossible or impracticable, for the Issuer to deliver Renminbi (i) between accounts inside Hong Kong or (ii) from an account outside Hong Kong to an account inside Hong Kong, other than where such impossibility or impracticability is due solely to the failure of the Issuer to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the date on which the first Tranche of CNH Notes is issued and it is impossible or, having used its reasonable endeavours, impracticable for the Issuer to comply with such law, rule or regulation due to an event beyond its control), in each case as determined by the Issuer acting in good faith and in a commercially reasonable manner following consultation (if practicable) with two Renminbi Dealers.

**“Noteholder”** means the bearer of any Bearer Note relating to it or the person in whose name a Registered Note is registered (as the case may be) and **“holder”** (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or, as the case may be, the person in whose name a Registered Note is registered in the register, as defined below (or, in the case of a joint holding, the first named thereof).

**“Notes”** mean Senior Notes or Subordinated Notes issued by the Issuer.

**“outstanding”** has the meaning set out in the Agency Agreement.

**“Partly Paid Note”** means a Note specified as such in the relevant Final Terms.

**“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.

**“PRC”** means The People’s Republic of China excluding Taiwan and the Hong Kong and the Macau Special Administrative Region.

**“Principal Financial Centre”** means, in relation to any currency, the principal financial centre for that currency provided, however, that in relation to Euros, 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.

**“Proceedings”** means any legal action or proceedings arising out of or in connection with any Notes, Coupons or Talons.

**“Prospectus Directive”** means Directive 2003/71/EC.

**“Rate Calculation Business Day”** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for general business (including dealings in foreign exchange) in Hong Kong and New York City.

**“Rate Calculation Date”** means the day which is two Rate Calculation Business Days before the due date of the relevant amount under these Conditions.

**“Rate of Interest”** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of a Note and that is either specified in the relevant Final Terms or calculated or determined in accordance with the provisions in the relevant Final Terms.

**“Record Date”** has the meaning given thereto in Condition 7(a)(ii) (*Principal and Interest – Interest*).

**“Reference Banks”** means major banks in the interbank market most closely connected with the Reference Rate selected by the Calculation Agent.

**“Reference Rate”** means one of the following benchmark rates (as specified in the relevant Final Terms) in respect of the Specified Currency and Interest Period: LIBOR, EURIBOR, LIMEAN and LIBID.

**“Register”** means the register maintained by the Registrar in accordance with the provisions of the Agency Agreement.

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

**“Regulatory Change”** means a change in, or amendment to, the Capital Regulations or any change in their application or in any official or generally published guidance or interpretation of the Capital Regulations, which change or amendment becomes, or would become, effective on or after the date of issue of the first Tranche 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 qualify as Tier 2 Capital on the date of issue of the first Tranche of Notes of that Series, the proceeds of the issue of the Notes would, as a result of a Regulatory Change, no longer be eligible to qualify or no longer qualifies at all or to the same extent, or will in the future, but prior to the Maturity Date no longer qualify at all or to the same extent (save where such non-qualification arises only as a result of any applicable limitation on the amount of such capital) as Tier 2 Capital of the Issuer or its Controlling Company on a solo and/or a consolidated basis.

**“Relevant Date”** in respect of any Note or Coupon means the date on which payment in respect of such Note or Coupon first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation or, as the case may be, surrender of the Note or Coupon (or (if applicable) the relevant Certificate) being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation.

**“Relevant Financial Centre”** means the Financial Centre specified in the relevant Final Terms.

**“Relevant Indebtedness”** means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are capable of being, quoted, listed or ordinarily dealt in or traded on any stock exchange or other recognised securities market.

**“Relevant Screen Page”** means such page, section, caption, column 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.

“**Relevant Time**” means the time specified in the relevant Final Terms.

“**Renminbi**” means the lawful currency of the PRC.

“**Renminbi Dealer**” means an independent foreign exchange dealer of international repute active in the Renminbi exchange market in Hong Kong.

“**Security Interest**” means any mortgage, charge, lien, pledge or other security interest, excluding any such mortgage, charge, lien, pledge or other security interest arising out of statutory preferences or by operation of law.

“**Senior Notes**” means Notes specified as such in the relevant Final Terms.

“**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Date, Interest Commencement Date and/or Issue Price.

“**Solvent Reconstruction**” means an order is made or an effective resolution is passed for the winding-up or curatorship of the Issuer, other than 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.

“**Specified Currency**” means the currency specified as such in the relevant Final Terms or, if none is specified, the currency in which the Notes are denominated.

“**Spot Rate**” means, for a Rate Calculation Date, the spot rate between Renminbi and U.S. Dollars, as determined by the Calculation Agent in good faith at or around 11.00 a.m. (Hong Kong time) on such date, and if a spot rate is not readily available, such rate that the Calculation Agent may determine taking into consideration all available information which the Calculation Agent deems relevant, including pricing information obtained from the Renminbi non-deliverable exchange market in Hong Kong or elsewhere and the PRC domestic foreign exchange market.

“**Subordinated Indebtedness**” means any indebtedness of the Issuer, including any guarantee given by the Issuer, under which the right of payment of the Person(s) entitled thereto is, or is expressed to be, or is required by any present or future agreement of the Issuer to be, subordinated to the rights of all unsubordinated creditors of the Issuer in the event of the dissolution, winding-up or placing into liquidation of the Issuer.

“**Subordinated Notes**” means the Notes specified as such in the relevant Final Terms.

“**Subsidiary**” has the meaning set out in section 3 of the SA Companies Act .

“**TARGET Business Day**” means a day on which the TARGET system is operating.

“**TARGET System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System or any successor thereto.

“**Tax Event**” means an event where, as a result of a Tax Law Change, (i) 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 8 (*Taxation*); or (ii) 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 computing its taxation liabilities in South Africa, or such entitlement is materially reduced, and in each case the Issuer cannot avoid the foregoing in connection with the Notes by

taking measures reasonably available to it (such reasonable measures to exclude any requirement to instigate litigation in respect of any decision of determination of the South African Revenue Service that any such interest does not constitute a tax deductible expense).

“**Tax Law Change**” means a change in, or amendment to, the laws or regulations of South Africa or any authority therein or thereof 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), which change or amendment becomes effective on or after the issue 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.

“**Tier 2 Notes**” means Subordinated Notes the proceeds of which qualify as Tier 2 Capital in compliance with the then current Capital Regulations applicable to Tier 2 Capital and the Additional Conditions (if any).

“**Tranche**” means Notes which are identical in all respects (including as to listing).

“**U.S. Dollar Equivalent**” means the Renminbi amount converted into U.S. Dollars using the Spot Rate for the relevant Rate Calculation Date as determined by the Calculation Agent.

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



## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### Initial Issue of Notes

Upon:

(a) in the case of Bearer Notes, the initial deposit of a Global Note with a Common Depositary; or (b) in the case of Registered Notes, the registration of Registered Notes in the name of any nominee for Euroclear and Clearstream, Luxembourg and delivery of the relevant Global Certificate to the Common Depositary, Euroclear or Clearstream, Luxembourg will credit each subscriber with a principal amount of Notes equal to the principal amount thereof for which it has subscribed and paid. Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Final Terms) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

### Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or any other clearing system as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be) for its share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Note or the Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or such clearing system (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

### Exchange

#### *Temporary Global Notes*

Each Temporary Global Note will be exchangeable free of charge to the holder, on or after its exchange date (the “**Exchange Date**”):

- (i) if the relevant Final Terms indicate that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (see “*Subscription and Sale – Selling Restrictions*”), in whole, but not in part, for the Definitive Notes defined and described below; and
- (ii) otherwise, in whole but not in part and on a day after the expiry of 40 days after its issue upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a Permanent Global Note or, if so provided in the relevant Final Terms, for Definitive Notes.

#### *Permanent Global Notes*

Each Permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not in part (except as provided under “*Partial Exchange of Permanent Global Notes*”), for Definitive Notes if the Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”) and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum

Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

### ***Global Certificates***

If the applicable Final Terms state that the Notes are to be represented by a Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system. Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(a) (*Transfer of Registered Notes*) may only be made:

- (i) in whole, but not in part, if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or
- (ii) in whole, or in part, with the Issuer's consent,

provided that, in the case of any transfer pursuant to (i) above, the Registered Noteholder has given the relevant Registrar not less than 30 days' notice at its specified office of the Registered Noteholder's intention to effect such transfer.

### ***Delivery of Notes***

On or after any due date for exchange the holder of a Global Note may, in the case of an exchange in whole, surrender such Global Note or, in the case of a partial exchange, present it for endorsement to, or to the order of, the Fiscal Agent. In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a Temporary Global Note exchangeable for a Permanent Global Note, deliver, or procure the delivery of, a Permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a Temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a Permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes or (in the case of a Permanent Global Note) Registered Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes and/or Certificates, as the case may be. Global Notes and Definitive Notes will be delivered outside the United States and its possessions. In this Base Prospectus, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons in respect of interest that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed and Certificates will be printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each Permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

### ***Exchange Date***

Exchange Date means, in relation to a Temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a Permanent Global Note, a day falling not less than 60 days, or in the case of an exchange for Registered Notes five days, after that on which the notice requiring exchange is given or, where applicable, after the 15th day on which a clearing system is closed for business, and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and in the city in which the relevant clearing system is located.

## **Amendment to Conditions**

The Temporary Global Notes, Permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Base Prospectus. The following is a summary of certain of those provisions.

### **Payments**

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a Permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any Temporary Global Note issued in compliance with the D Rules will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be *prima facie* evidence that such payment has been made in respect of the Notes. Condition 7(f)(v) and Condition 8(d) will apply to the Definitive Notes only.

### **Record Date**

Each payment in respect of a Global Certificate will be made to the person shown as the Noteholder in the Register at the opening of business on the Clearing System Business Day before the due date for such payment (the “**Record Date**”), where “**Clearing System Business Day**” means a day on which each clearing system for which the Global Certificate is being held is open for business.

### **Prescription**

Claims against the Issuer in respect of Notes that are represented by a Global Note will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 (*Taxation*)).

### **Meetings**

The holder of a Permanent Global Note or of the Notes represented by a Global Certificate shall (unless such Permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a Permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. All holders of Registered Notes are entitled to one vote in respect of each Note comprising such Noteholder's holding, whether or not represented by a Global Certificate.

### **Cancellation**

Cancellation of any Note represented by a Permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by a reduction in the nominal amount of the relevant Permanent Global Note or its presentation to or to the order of the Fiscal Agent for endorsement in the relevant schedule of such Permanent Global Note or, in the case of a Global Certificate, by a reduction in the aggregate principal amount of the Certificates in the register of the Noteholders, whereupon the principal amount thereof shall be reduced for all purposes by the amount so cancelled and endorsed.

### **Purchase**

Notes represented by a Permanent Global Note or a Global Certificate may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest thereon.

**Issuer's Option**

Any option provided to the Issuer in the Conditions of any Notes while such Notes are represented by a Permanent Global Note or a Global Certificate shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that the Issuer's option is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg or any other clearing system (as the case may be).

**Noteholders' Option**

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a Permanent Global Note or a Global Certificate may be exercised by the holder of the Permanent Global Note or Global Certificate, as the case may be, by giving notice to the Fiscal Agent within the time limits relating to the deposit of Notes with a Paying Agent, the Registrar or any Transfer Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent or Transfer Agent, as the case may be, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and shall state the principal amount of Notes in respect of which the option is exercised and at the same time presenting the Permanent Global Note to the Fiscal Agent, or to a Paying Agent acting on behalf of the Fiscal Agent, for notation or, in the case of the Global Certificate, for a reduction in the aggregate principal amount of the Certificate in the register of the Noteholders.

**Notices**

So long as any Notes are represented by a Global Note or a Global Certificate and such Global Note or Global Certificate is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note or Global Certificate.

## TAXATION

*The following summary of certain South African and European Union consequences of ownership of Notes is based upon laws, regulations, decrees, rulings, income tax conventions, administrative practice and judicial decisions in effect at the date of this Base Prospectus. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming that could alter or modify the statements and conclusions set out herein. Any such changes or interpretations may be retroactive and could affect the tax consequences to holders of the Notes. This summary does not constitute a legal opinion or tax advice. In addition this summary does not purport to address all tax aspects that may be relevant to a holder of Notes. Each prospective holder is urged to consult its own tax adviser as to the particular tax consequences to such holder of the ownership and disposition of Notes, including the applicability and effect of any other tax laws or tax treaties, and of pending or proposed changes in applicable tax laws as of the date of this Base Prospectus, and of any actual changes in applicable tax laws after such date.*

### **South Africa**

#### ***Withholding Tax***

Under current taxation law in South Africa, all payments made under the Notes to resident and non-resident Noteholders will be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in South Africa.

However, a new withholding tax on interest (“**Withholding Tax**”) is expected to be introduced in South Africa, with effect from 1 January 2015, as Part IVB of the Income Tax Act (“**Part IVB**”). In terms of Part IVB, the Withholding Tax will be a final tax and will be levied at a rate of 15 per cent. in respect of interest paid to non-residents. In terms of Part IVB (as currently worded), and subject to any Withholding Tax relief provided for (or to be provided for) in the case of any applicable double tax treaty, the Withholding Tax will be applicable to, and imposed in respect of the amount of any interest that is paid to or for the benefit of any foreign person to the extent that the amount is regarded as having been received or accrued from a source within South Africa.

The Withholding Tax does not, however, apply to payments made by the Issuer to non-resident Noteholders because the proposed provisions exempt from Withholding Tax any amount of interest received by a non-resident Noteholder in respect of any interest paid by a “bank” (as defined in section 1 of the Banks Act).

#### ***Securities Transfer Tax***

No securities transfer tax is payable on the issue, redemption or transfer of the Notes in terms of the Securities Transfer Tax Act 2007.

#### ***Value-Added Tax (VAT)***

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

Commissions, fees or similar charges raised for the facilitation of the issue, allotment, drawing, acceptance endorsement or transfer of ownership of the Notes will however be subject to VAT at the standard rate (currently 14 per cent.), except where the recipient is a non-resident as contemplated below.

Services (including exempt financial services) rendered to non-residents who are not in South Africa when the services are rendered, are subject to VAT at the zero rate in terms of section 11(2)(1) of the VAT Act.

### ***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) (the “**Income Tax Act**”)) is subject to income tax on his/her world-wide income. Accordingly, all Noteholders who are tax resident in South Africa will generally be liable to pay income tax, subject to available deductions, allowances and exemptions, on any interest earned in relation to the Notes. Non-residents of South Africa are subject to income tax on all income derived from a South African source (subject to applicable double taxation treaties). Interest income is derived from a South African source if it is incurred by a South African tax resident (unless it is attributable to a foreign permanent establishment of that resident) or if it is derived from the utilisation or application in South Africa by any person of funds or credit obtained in terms of any form of “interest-bearing arrangement”. The Notes will constitute an “interest-bearing arrangement”. The Issuer is tax resident in South Africa as at the date of this Base Prospectus. Accordingly, the interest earned by a Noteholder will be from a South African source and subject to South African income tax unless such interest income is exempt from South African income tax under section 10(1)(h) of the Income Tax Act (see below).

Under section 10(1)(h) of the Income Tax Act (which will be effective for all amounts of interest that accrue or is paid on or after 1 July 2013), any amount of interest which is received or accrued (during any year of assessment) by or to any person that is not a resident of South Africa is exempt from income tax, unless that person:

- (a) is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve-month period preceding the date on which the interest is received or accrued by or to that person; or
- (b) at any time during the twelve-month period preceding the date on which the interest is received or accrued by or to that person carried on business through a permanent establishment in South Africa.

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

In terms of section 24J of the Income Tax Act, broadly speaking, any discount or premium to the principal amount of a Note is treated as part of the interest income on the Note. Interest income which accrues (or is deemed to accrue) to a Noteholder is deemed, in accordance with section 24J of the Income Tax Act, to accrue on a day-to-day basis until that Noteholder disposes of the Note or until maturity. This day-to-day basis accrual is determined by calculating the yield to maturity (as defined in Section 24J) and applying this rate to the capital involved for the relevant tax period. The premium or discount is treated as interest for the purposes of the exemption under section 10(1)(h) of the Income Tax Act. With effect from 1 January 2014, section 24JB will deal with the fair value taxation of financial instruments for certain types of “covered persons”, for example, South African banks.

### ***Capital Gains Tax***

Capital gains and losses of residents of South Africa on the disposal of Notes are subject to capital gains tax unless the Notes are purchased for re-sale in the short term as part of a scheme of profit making, in which case the proceeds will be subject to income tax. Any discount or premium on acquisition which has already been treated as interest for income tax purposes under section 24J of the Income Tax Act will not be taken into account when determining any capital gain or loss. If the Notes are disposed of or redeemed prior to or on maturity, a gain or loss must be calculated. The gain or loss is deemed to have incurred or to have accrued in the year of assessment in which the transfer or redemption occurred. The calculation of the gain or loss will take into account interest which has already accrued or been incurred during the period in which the transfer or redemption occurs. In terms of section 24J(4A), where an adjusted loss on transfer or redemption includes interest which has been included in the income of the holder, that amount qualifies as a

deduction from the income of the holder during the year of assessment in which the transfer or redemption takes place.

Capital gains tax under the Eighth Schedule to the Income Tax Act will not be levied in relation to Notes disposed of by a person who is not a resident of South Africa unless the Notes disposed of are attributable to a permanent establishment of that person through which a trade is carried on in South Africa during the relevant year of assessment.

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

### ***Definition of interest***

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

### **European Union**

#### ***EU Savings Directive***

Under the EU Savings Directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a paying agent (within the meaning of the EU Savings Directive) within its jurisdiction to or collected by such paying agent (within the meaning of the EU Savings Directive) for, an individual resident in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. Under such withholding system, tax will be deducted at rates rising over time to 35 per cent. (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). Belgium had previously operated a withholding system in relation to such payments, but has elected to apply the provision of information provisions that apply to the Member States (other than Austria and Luxembourg during the transitional period), with effect from 1 January 2010. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to exchange of information procedures relating to interest and other similar income.

A number of non-EU countries (including Switzerland) and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the EU Savings Directive) within their respective jurisdictions to, or collected by such a paying agent (within the meaning of the EU Savings Directive) for, an individual resident in, or certain limited types of entity established in, a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in, or certain limited types of entity established in, one of those dependent or associated territories.

On 13 November 2008, the European Commission published a proposal for amendments to the EU Savings Directive. The proposal included a number of suggested changes which, if implemented, would broaden the scope of the rules described above. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made to the Directive, they may amend or broaden the scope of the requirements described above.

Prospective investors in the Notes should consult their professional advisers if they have concerns about the potential impact of the EU Savings Directive.

## **PRC CURRENCY CONTROLS**

### **Remittance of proceeds into or outside of the PRC in Renminbi**

The Renminbi is not a freely convertible currency. The remittance of Renminbi into and outside the PRC is subject to controls imposed under PRC law.

### **Current Account Items**

Under PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Prior to July 2009, all current account items were required to be settled in foreign currencies. In July 2009, the PRC commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC, including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions, including Hong Kong and Macau. On 17 June 2010, the PRC Government promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross Border Trades (Yin Fa (2010) No. 186) (the “**Circular**”), pursuant to which (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover 20 provinces and cities, and (iii) the restriction on designated offshore districts has been uplifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle imports and exports of goods and services and other current account items between them. Renminbi remittance for exports of goods from the PRC may only be effected by approved pilot enterprises in designated pilot districts in the PRC. In August 2011, the PRC Government further expanded Renminbi cross border trade settlement nationwide. Currently, participating banks in Singapore, Hong Kong and Taiwan have been permitted to engage in the settlement of Renminbi trade transactions.

As a new regulation, the Circular will be subject to interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Circular and impose conditions for settlement of current account items.

### **Capital Account Items**

Under PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval of the relevant PRC authorities.

Settlements for capital account items are generally required to be made in currencies other than Renminbi. For example, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contract and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or the relevant PRC parties are also generally required to make capital item payments, including payment of (i) proceeds arising from liquidations, transfers of shares and reductions of capital and (ii) interest and principal repayments to foreign investors in a foreign currency. However, the relevant PRC authorities may allow a foreign entity to make a capital contribution or a shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for such foreign invested enterprise to make related interest payments and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. Such foreign invested enterprise may be required to complete registration and verification process with the relevant PRC authorities before such Renminbi remittances are authorised.

On 7 April 2011, the State Administration of Foreign Exchange (“SAFE”) published the Circular on Issues Concerning the Capital Account Items in Connection with Cross-border Renminbi (the “**SAFE Circular**”) which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors



intend to use cross-border Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to contribute towards an onshore enterprise or to make payment for the purchase of any equity interest in an onshore enterprise from a PRC resident, such onshore enterprise shall be required to (i) submit the prior written consent obtained from the relevant Ministry of Commerce (“**MOFCOM**”) to the relevant local branches of SAFE that oversee such onshore enterprise and (ii) register for foreign invested enterprise status. Furthermore, the SAFE Circular states that any foreign debts borrowed, and any external guarantees provided, by an onshore entity (including a financial institution) denominated in RMB shall, in principle, be regulated under the current PRC foreign debt and external guarantee regime.

On 12 October 2011, MOFCOM published the Circular on Issues in Relation to Cross-border RMB Foreign Direct Investment (the “**MOFCOM RMB FDI Circular**”). In accordance with the MOFCOM RMB FDI Circular, MOFCOM and its local counterparts are authorised to approve RMB foreign direct investment (“**FDI**”) in accordance with existing PRC laws and regulations regarding foreign investment, with certain exceptions which require the preliminary approval of the applicable local counterpart of MOFCOM and the consent of MOFCOM: (i) RMB FDI with the capital contribution in Renminbi of RMB300 million or more; (ii) RMB FDI in financing guarantee, financing lease, micro financing or auction industries; (iii) RMB FDI in foreign invested investment companies, venture capital or equity investment enterprises; or (iv) RMB FDI in cement, iron & steel, electrolytic aluminium, shipbuilding or other policy sensitive sectors. In addition, RMB FDI in real estate sector is allowed following the existing rules and regulations of foreign investment in real estate, although Renminbi foreign debt remains unavailable to foreign invested real estate enterprises. The MOFCOM RMB FDI Circular also states that the proceeds of RMB FDI may not be used for investment in securities, financial derivatives or entrustment loans in the PRC, except for investments in PRC domestic listed companies through private placements or share transfers by agreement under the PRC strategic investment regime.

On 13 October 2011, PBOC published the Measures on Administration of RMB Settlement in Relation to Foreign Direct Investment (the “**PBOC RMB FDI Measures**”), pursuant to which special approval for RMB FDI and shareholder loans which was previously required by PBOC is no longer necessary. In some cases however, post-event filing with PBOC is still necessary.

Among others things, the PBOC RMB FDI Measures provide that (i) foreign invested enterprises are required to register with the local branch of PBOC within ten working days of obtaining the relevant business licences for the purpose of Renminbi settlement, (ii) a foreign investor is allowed to open a Renminbi expense account to reimburse certain expenses before the establishment of a foreign invested enterprise, and the balance in such an account can be transferred to the Renminbi capital account of such foreign invested enterprise when it is established, (iii) commercial banks can remit a foreign investor's Renminbi proceeds from any distributions (in the form of dividends or otherwise) by its PRC subsidiaries out of the PRC after reviewing certain requisite documents, (iv) if a foreign investor intends to use its Renminbi proceeds from any distributions (in the form of dividends or otherwise) by its PRC subsidiaries, such foreign investor may open a Renminbi re-investment account to pool the Renminbi proceeds and (v) PRC parties selling stakes in domestic enterprises to foreign investors can open Renminbi accounts and receive the purchase price in Renminbi paid by such foreign investors.

The PBOC RMB FDI Measures also state that the foreign debt quota of a foreign invested enterprise constitutes its Renminbi debt and foreign currency debt owed to its offshore shareholders, offshore affiliates and offshore financial institutions, and that a foreign invested enterprise may open a Renminbi account to receive Renminbi proceeds borrowed offshore by submitting the applicable Renminbi loan contract to the relevant commercial bank and make repayments of principal of and interest on such debt in Renminbi by submitting certain documents as required to the such commercial bank.

As new regulations, the SAFE Circular, the MOFCOM RMB FDI Circular and the PBOC RMB FDI Measures will be subject to interpretation and application by the relevant PRC authorities. Furthermore, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

## SUBSCRIPTION AND SALE

Subject to the terms and on the conditions contained in a distribution agreement dated on or about 2 July 2010, as amended and restated on 22 January 2013 and on 21 January 2014 (as further amended or supplemented on the Issuer Date) (the “**Distribution Agreement**”) between the Issuer, the Permanent Dealers and the Arranger, from time to time the Notes will be offered by the Issuer to the Permanent Dealers, and the Permanent Dealers may agree to purchase such Notes. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Distribution Agreement also provides for Notes to be issued in syndicated Tranches that are jointly and severally underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger for certain of its expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme.

The Issuer has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Notes. The Distribution Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Certain of the Dealers and their respective affiliates have, in the past, performed investment banking and advisory services for, and provided credit facilities to, the Issuer for which they have received customary fees and expenses.

Each of the Dealers and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Issuer in the ordinary course of their respective businesses. The Issuer may apply all or part of the proceeds of any Notes issued pursuant to the Programme in repayment of all or part of any such credit facilities.

The Distribution 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.

### **Selling Restrictions**

#### ***United States***

The Notes have not been and will not be registered under the Securities Act, or any state securities laws, and, unless so registered, may not be offered or sold within the United States or to U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. The Notes offered hereby are being offered and sold only to non-U.S. persons outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Distribution Agreement, it will not offer or sell Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering or the closing date of an identifiable tranche of which such Notes are a part, as determined and certified to the Fiscal Agent by such Dealer (or, in the case of an identifiable tranche of Notes sold to or through more than one Dealer, by each of such Dealers with respect to Notes of an identifiable tranche purchased by or through it, in which case the Fiscal Agent shall notify 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, and it will have sent to each Dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of Notes hereunder, an 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.

Bearer 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 U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

- (A) Where the D Rules are specified in the relevant Final Terms as being applicable in relation to any Tranche of Notes, each Dealer will be required to represent, undertake and agree (and each additional Dealer appointed under the Programme will be required to represent, undertake and agree) that:
- (i) except to the extent permitted under the D Rules (a) it has not offered or sold, and will not offer or sell, any Bearer Notes to a person who is within the United States or its possessions or to a U.S. person, and (b) it has not delivered and will not deliver within the United States or its possessions Bearer Notes in definitive form that are sold during the restricted period;
  - (ii) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees and agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a U.S. person, except as permitted by the D Rules;
  - (iii) if it is a U.S. person, it is acquiring the Bearer Notes for purposes of resale in connection with their original issuance and, if it retains Bearer Notes for its own account, it will only do so in accordance with the requirements of United States Treasury Regulations §1.163-5(c)(2)(i)(D)(6);
  - (iv) with respect to each affiliate (if any) that acquires from such Dealer Bearer Notes for the purposes of offering or selling such Notes during the restricted period, such Dealer either repeats and confirms the representations, undertakings and agreements contained in sub-clauses (i), (ii), (iii) and (v) on such affiliate's behalf or agrees that it will obtain from such affiliate for the benefit of the Issuer the representations, undertakings and agreements contained in such sub-clauses (i), (ii), (iii) and (v); and
  - (v) shall obtain for the benefit of the Issuer the representations, undertakings and agreements contained in sub-clauses (i), (ii), (iii), (iv) and (v) of this paragraph from any person other than its affiliate with whom it enters into a written contract (a “distributor” as defined in United States Treasury Regulations §1.163-5(c)(2)(i)(D)(4)), for the offer or sale during the restricted period of the Bearer Notes.
- (B) In addition, where the C Rules are specified in the relevant Final Terms as being applicable in relation to any Tranche of Notes, such Notes must in their original issuance, be issued and delivered outside the United States and its possessions and, accordingly, each Dealer will be required to represent, undertake and agree (and each additional Dealer will be required to represent, undertake and agree) that, in connection with the original issuance of the Notes:
- (i) it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, any Bearer Notes within the United States or its possessions; and
  - (ii) it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if either such purchaser or such Dealer is within the United States or its possessions and will not otherwise involve the United States office of such Dealer in the offer and sale of Bearer Notes.

Terms used in sub-clauses (A) and (B) have the meanings given to them by the U.S. Internal Revenue Code and the regulations thereunder, including the C Rules and the D Rules.

***Public Offer Selling Restriction under the Prospectus Directive***

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 this Base Prospectus as completed by the Final Terms in relation thereto 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:

- (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) 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
- (iii) 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 (i) to (iii) 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, the expression “**Prospectus Directive**” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “**2010 PD Amending Directive**” means Directive 2010/73/EU.

***Selling Restrictions Addressing Additional United Kingdom Securities Laws***

Each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that:

- (i) in relation to any Notes which have a maturity of less than one year:
  - (a) 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;
  - (b) 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;

- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an 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
- (iii) 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.

### ***China***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

### ***Hong Kong***

In relation to each further Tranche of Notes issued by the Issuer, each Dealer has represented and agreed, and each Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “**professional investors**” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “**prospectus**” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “**professional investors**” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### ***Singapore***

Each further Dealer has acknowledged that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, 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 or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”), (b) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A) and in accordance with the conditions specified in Section 275 of the SFA or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 except:
  - (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
  - (ii) where no consideration is or will be given for the transfer; or
  - (iii) where the transfer is by operation of law; or
  - (iv) as specified in Section 276(7) of the SFA; or
  - (v) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulation 2005 of Singapore.

### ***South Africa***

In relation to South Africa, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that it will not make an “offer to the public” (as such expression is defined in the SA Companies Act, and which expression includes any section of the public) of Notes (whether for subscription, purchase or sale) in South Africa. This Base Prospectus does not, nor is it intended to, constitute a base prospectus prepared and registered under the SA Companies Act. Accordingly:

- (a) no offer of Notes will be made to any person in South Africa; or alternatively
- (b) to the extent that any such offer is made, its minimum Specified Denomination shall be R1,000,000 or such higher amount as may be promulgated by notice in the Government Gazette of South Africa pursuant to Section 96(2)(a) of the SA Companies Act, unless made to certain investors contemplated in section 96(1)(a) of the SA Companies Act.

Further, each Dealer has (or will have) represented, warranted and agreed that it (i) will not offer Notes for subscription, (ii) will not solicit any offers for subscription for or sale of the Notes, and (iii) will itself not sell or offer the Notes in South Africa in contravention of the SA Companies Act, Exchange Control Regulations and/or any other applicable laws and regulations of South Africa in force from time to time.

### ***Republic of Italy***

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that the offer of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) (the Italian Securities and Exchange Commission) pursuant to Italian securities laws and regulations and, accordingly, Notes may not be offered, sold or delivered, directly or indirectly, nor may copies of this Base Prospectus or any other document and material relating to the Notes and the offer be distributed or published in the Republic of Italy in a public offer at large (*offerta al pubblico*) within the meaning of Article 1, paragraph 1, letter (t) of Legislative Decree no. 58 of 24 February 1998 as amended (“**Financial Services Act**”), except under circumstances that will result in compliance with all the Italian applicable laws, orders, rules and regulations. Accordingly, in the Republic of Italy, the Notes:

- (a) shall only be offered or sold to qualified investors (*investitori qualificati*), as defined in Article 2(1)(e) paragraphs of the Prospectus Directive, pursuant to Article 100 of the Financial Services Act and Article 34-ter, paragraph 1, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended (“**Regulation No. 11971**”); or

- (b) shall only be offered or sold in circumstances which are exempted from the rules on public offer pursuant to Article 100 of the Financial Services Act and Article 34-ter, of Regulation No. 11971.

Moreover, and subject to the foregoing, any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document and material relating to the Notes and the offer in the Republic of Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the “**Banking Act**”), CONSOB Regulation No. 16190 of 29 October 2007 and any other applicable laws and regulations;
- (ii) in compliance with any other applicable laws and regulations including any relevant notification or limitations which may be imposed by CONSOB or the Bank of Italy or any other competent authority.

### ***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Law No. 25 of 1948, as amended, the “**FIEA**”) and 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, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes 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 Control Law (Law No. 228 of 1949, as amended)) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and other relevant laws, regulations and ministerial guidelines of Japan.

### **General**

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Base Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed (and each further Dealer appointed under the Programme will be required to agree) that it will comply with all relevant laws, regulations and directives in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes or publishes this Base Prospectus, any other offering material or any Final Terms (in all cases at its own expense) and neither the Issuer nor any other Dealer shall have responsibility therefor. Other persons into whose hands this Base Prospectus or any Final Terms 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 or any Final Terms or any related offering material, in all cases at their own expenses.

## SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

African Bank is a limited liability company incorporated in South Africa and the majority of its assets are currently located outside the United Kingdom. In addition, the majority of African Bank's directors and executive officers are residents of countries other than the United Kingdom. As a result, it may be impossible for Noteholders to:

- effect service of process within the United Kingdom upon African Bank or any of its directors or executive officers named in this Base Prospectus; or
- enforce, in the English courts, judgments obtained outside English courts against African Bank or any of African Bank's directors and executive officers named in this Base Prospectus.

In addition, it may be difficult for Noteholders to enforce, in original actions brought in courts in jurisdictions located outside the United Kingdom, liabilities predicated upon English laws.

### Choice of law

In any proceedings for the enforcement of the obligations of the Issuer, the South African courts will generally give effect to the choice of foreign law as contemplated in the Notes as the governing law thereof.

### Jurisdiction

Subject as set out below, the Issuer's irrevocable submission under the Notes to the jurisdiction of a foreign court is generally legal, valid, binding and enforceable under the laws of South Africa, and any judgment obtained in the foreign jurisdiction will be recognised and be enforceable by the courts of South Africa without the need for re-examination of the merits. The appointment by the Issuer of an agent within the jurisdiction of a foreign court to accept service of process in respect of the jurisdiction of the foreign courts is generally valid and binding on the Issuer.

Under South African law, a court will not accept a complete ouster of jurisdiction, either by way of a choice of jurisdiction clause or arbitration clause although generally it recognises party autonomy and gives effect to choice of jurisdiction and arbitration provisions. However, jurisdiction remains within the purview of the court and a court may, in certain instances, assume jurisdiction provided there are sufficient jurisdictional connecting factors. South African courts may, in rare instances, choose not to give effect to a choice of jurisdiction clause, if, for example, such choice is contrary to public policy.

The Supreme Court of Appeal of South Africa has held that if proceedings have been instituted in a court in South Africa, a party wishing to invoke the protection of a foreign jurisdiction or arbitration clause should do so by way of a special or dilatory plea seeking a stay of the proceedings, in which case a South African court would have a discretion whether or not to enforce the foreign jurisdiction or arbitration clause. In addition, proceedings before a court of South Africa may be stayed if the subject of the proceedings is concurrently before any other court.

### Recognition of foreign judgments

Subject to the permission (where required) of the Minister in terms of the Protection of Businesses Act 1978 (as amended) ("**Protection of Businesses Act**") any authenticated judgment obtained in a court of competent jurisdiction other than South Africa will be recognised and enforced by ordinary action in accordance with procedures ordinarily applicable under South African law for the enforcement of foreign judgments ("**common law enforcement proceedings**"); provided that the process is properly served, judgment was pronounced by a proper court of law, was final and conclusive (in the case of a judgment for money, on the face of it), has not become stale, and has not been obtained by fraud or in any manner opposed to natural justice or contrary to the international principles of due process and procedural fairness, the enforcement thereof is not contrary to South African public policy and the foreign court in question had jurisdiction and international competence according to the applicable rules on conflict of laws recognized by the laws of South Africa. The South African courts will not enforce foreign revenue or penal law, nor



will they recognize or enforce a foreign judgment which contravenes section 1A of the Protection of Businesses Act which prohibits the payment of multiple or punitive damages.

Where obligations are to be performed in a jurisdiction outside South Africa they may not be enforceable under the laws of South Africa to the extent that such performance would be illegal or contrary to public policy under the laws of South Africa, or the foreign jurisdiction or to the extent that the law precludes South African courts from granting extra territorial orders.

In regard to the execution of a foreign civil judgement that is made by an order of the court in South Africa:

- once such order is made by a South African court, the judgement creditor may issue a writ of execution through the office of the registrar of such court;
- rules 45 and 46 of the rules of the High Court of South Africa (the “**High Court**”) regulate the execution of movable and immovable property respectively. Once a writ of execution is issued and delivered to the sheriff of the High Court (the “**Sheriff**”), the Sheriff will follow the processes set out in such rules in the execution of such court order;
- where practicable, any property attached by the Sheriff under a writ of execution must be sold by the Sheriff by public auction to the highest bidder after the advertisement of the auction. This auction procedure is regulated by section 45 of the CPA, which together with the regulations promulgated thereunder (the “**CPA Regulations**”), set out how an auction pursuant to such a court order is to be conducted, the records to be made with respect to property placed for auction and the sale of any such property by an auctioneer must comply with all the general provisions of the CPA Regulations relating to auctions and auctioneers that are applicable to an auction conducted by the Sheriff. The CPA Regulations provide that any provision in any agreement relating to goods sold or bought at an auction or advertised or offered for sale at an auction, or any agreement providing for conducting the auction itself, in conflict with the CPA Regulations, does not from the moment of its conception or conclusion, have any force or effect;
- a writ of execution against immovable property may only be issued if the immovable property has been declared specially executable under such court order or if the return made in respect of a writ issued against movable property states that the judgement debtor does not have sufficient movable property to satisfy the writ; and
- a foreign judgement creditor may be required to provide security for costs in accordance with rule 47 of the rules of the High Court.

### **Effect of liquidation on civil proceedings**

In general and subject to certain exceptions, civil proceedings (including arbitration proceedings) instituted by or against an insolvent entity are automatically stayed on the liquidation of the insolvent entity's estate until the appointment of a liquidator. A plaintiff/creditor wishing to continue with such proceedings against the insolvent entity must give notice of its intention to do so within a period of three weeks from the date of the first meeting of creditors, in accordance with the provisions of the Insolvency Act 1936 (as amended), failing which the proceedings lapse. In circumstances where the court finds that there was a reasonable excuse for a failure to give the requisite notice, it has a discretion to allow a plaintiff/creditor to continue with proceedings on such conditions as it thinks fit. Execution against the insolvent entity's assets is similarly stayed.

## FORM OF FINAL TERMS

*The form of Final Terms that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:*

**Final Terms dated [•]**

**African Bank Limited**

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

under the U.S.\$6,000,000,000

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 out in the Base Prospectus dated 21 January 2014 [and the supplemental Base Prospectus dated [•]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) and amendments thereto, including Directive 2010/73/EU (the “**Prospectus Directive**”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5(4) of the Prospectus Directive and must be read in conjunction with the Base Prospectus [as so supplemented]. 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 [as so supplemented]. In accordance with Article 14 of the Prospectus Directive, the Base Prospectus [and the supplemental Prospectus] [is] [are] available for viewing at [address] [and] [website] and copies may be obtained from [address].

[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set out in the Base Prospectus dated [original date] [and the supplemental Base Prospectus dated [•]] which are incorporated by reference in the Base Prospectus dated [•] and are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5(4) of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”) as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State) and must be read in conjunction with the Base Prospectus dated 21 January 2014 [and the supplemental Base Prospectus dated [•]], which [together] constitute[s] a 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 dated the 21 January 2014 [and the supplemental Base Prospectus dated [•]]. In accordance with Article 14 of the Prospectus Directive, the Base Prospectuses [and the supplemental Base Prospectus] are available for viewing at [address] [and] [website] and copies may be obtained from [address].

- |    |  |                      |
|----|--|----------------------|
| 1. | <b>Issuer:</b>                           | African Bank Limited |
| 2. | [ (i) ] Series Number:                   | [•]                  |
|    | [ (ii) ] Tranche Number:                 | [•]                  |
| 3. | <b>Specified Currency or Currencies:</b> | [•]                  |
|    | Additional Conditions:                   | [•]                  |

Provisions applicable to Tier 2 Notes:

[•] (For Subordinated Notes that are also Tier 2 Notes specify the Additional Conditions (if any) prescribed by the Registrar of Banks and those of the applicable regulations (if any) which are not set out in the Terms and Conditions or elsewhere in these Final Terms.)

4. **Aggregate Principal Amount of Notes:**

[(i)] Series: [•]

[(ii)] Tranche: [•]

5. **Issue Price:** [•] per cent. of the Aggregate Principal Amount of Notes [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]

[[•] +/- [•] per cent. Floating Rate] [Zero Coupon]

10. **Redemption/Payment Basis:** [Redemption at par]

[•]

11. **Change of Interest or Redemption/Payment Basis:** [•]

12. **Put/Call Options:** [Put Option]

[Call Option]

13. (i) Status of the Notes: [Senior] [Subordinated] [Tier 2]

[(ii)] [Date approval for issuance of Notes obtained: [•] [and [•], respectively]

(iii) Tier 2 Capital Requirements: [Not Applicable/Applicable]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

14. **Fixed Rate Note Provisions:** [Applicable/Not Applicable]

- |       |  |  |
|-------|--|--|
| (i)   | Rate[(s)] of Interest:   | [•] per cent. per annum [payable annually/semi annually/quarterly/monthly/ [•]] in arrear] |
| (ii)  | Interest Payment Date(s):  | [•] in each year [adjusted in accordance with [[•]/not adjusted]]                          |
| (iii) | Fixed Coupon Amount[(s)]:  | [•] per Calculation Amount [Not Applicable]  |
| (iv)  | Broken Amount(s):  | [[•] per Calculation Amount payable on the Interest Payment date falling [in/on] [[•]]]    |
| (v)   | Day Count Fraction:  | [30/360 / Actual/Actual (ICMA/ISDA) / other]   |
| (vi)  | Determination Dates:   | [•] in each year   |
| (vii) | Other terms relating to the method of calculating interest for Fixed Rate Notes: | [Not Applicable/[•]]   |
15. **Floating Rate Note Provisions:** [Applicable/Not Applicable]
- |        |   |   |
|--------|---|---|
| (i)    | Interest Period(s):   | [•]   |
| (ii)   | Specified Interest Payment Dates:   | [•]   |
| (iii)  | First Interest Payment Date:  | [•]   |
| (iv)   | Business Day Convention:  | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[•]] |
| (v)    | Manner in which the Rate(s) of Interest is/are to be determined:  | [Screen Rate Determination/ISDA Determination]  |
| (vi)   | Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): | [•] [[Name] shall be the Calculation Agent]   |
| (vii)  | Screen Rate Determination:  |   |
|        | – Reference Rate:   | [•]   |
|        | – Interest Determination Date(s):   | [•]   |
|        | – Relevant Screen Page:   | [•]   |
| (viii) | ISDA Determination:   |   |
|        | – Floating Rate Option:   | [•]   |
|        | – Designated Maturity:  | [•]   |
|        | – Reset Date:   | [•]   |

- (ix) Margin(s): [ + / ] [•] per cent. per annum
- (x) Minimum Rate of Interest: [•] per cent. per annum
- (xi) Maximum Rate of Interest: [•] per cent. per annum
- (xii) Day Count Fraction: [•]
- (xiii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [•]
- (xiv) ISDA Definitions: [2000 ISDA Definitions (as amended and updated)/2006 ISDA Definitions (as amended and updated)]

16. **Zero Coupon Note Provisions:** [Applicable/Not Applicable]

- (i) Amortisation Yield: [•] per cent. per annum
- (ii) Any other formula/basis of determining amount payable: [•]

**PROVISIONS RELATING TO REDEMPTION**

17. **Prior consent of Registrar of Banks for any redemption prior to Maturity Date:** [Applicable/Not Applicable]

18. **Redemption for Taxation Reason** [Applicable/Not Applicable]

19. **Call Option on Tax Event:** [Applicable/Not Applicable]

- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount
- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount: [•] per Calculation Amount
  - (b) Maximum Redemption Amount: [•] per Calculation Amount
- (iv) Notice period: [•]

20. **Call Option:** [Applicable/Not Applicable]

- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount

- (iii) If redeemable in part:
  - (a) Minimum Redemption Amount: [•] per Calculation Amount
  - (b) Maximum Redemption Amount: [•] per Calculation Amount
- (iv) Notice period: [•]
- 21. **Put Option:** [Applicable/Not Applicable]
  - (i) Optional Redemption Date(s): [•]
  - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount
  - (iii) Notice period: [•]
- 22. **Final Redemption Amount of each Note:** [•] per Calculation Amount
  - (i) Party responsible for calculating the Final Redemption Amount (if not the Fiscal Agent): [•]
  - (ii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [•]
  - (iii) Determination Date(s): [•]
  - (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/ or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]
  - (vi) Payment Date: [•]
  - (vii) Minimum Final Redemption Amount: [•] per Calculation Amount
  - (viii) Maximum Final Redemption Amount: [•] per Calculation Amount
- 23. **Early Redemption Amount:**

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): [•]

#### **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

- 24. **Form of Notes:** Bearer Notes:
 

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable

for Definitive Notes in the limited circumstances specified in the Permanent Global Note].

[Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

Registered Notes:

[Global Note Certificate exchangeable for individual Note Certificates on [•] days' notice/at any time/in the limited circumstances specified in the Global Note Certificate]

25. **Financial Centre(s) or other special provisions relating to payment dates:** [Not Applicable/Applicable [•]].

26. **Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):** [Yes/No]

#### **DISTRIBUTION**

27. (i) If syndicated [Not Applicable/[•]]

(ii) Stabilising Manager(s) (if any): [Not Applicable/[•]]

28. If non syndicated, name of Dealer: [Not Applicable/[•]]

29. U.S. Selling Restrictions: Reg S Compliance Category: [2]  
TEFRA C/TEFRA D/not applicable]

30. Additional selling restrictions: [Not Applicable/[•]]

Signed on behalf of the Issuer:

By: \_\_\_\_\_  
Duly authorised

By: \_\_\_\_\_  
Duly authorised

## PART B – OTHER INFORMATION

### 1. Listing

- (i) Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [•] with effect from [•]] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [•] with effect from [•]] [Not Applicable]
- (ii) Estimate of total expenses related to admission to trading: [•]

### 2. Ratings

Ratings: The Notes to be issued have been rated:  
[Moody's: [•]]

### 3. [Interests of Natural and Legal Persons involved in the [Issue/Offer]

“So far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer”.]

### 4. [Fixed Rate Notes only – Yield

Indication of yield: [•]

### 5. Operational Information

ISIN: [•]

Common Code: [•]

Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, *société anonyme* and the relevant identification number(s): [Not Applicable/give name(s) and number(s) [and address(es)]]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying and Transfer Agent(s): [•]

Names and addresses of additional Paying and Transfer Agent(s) (if any): [•]



## FORM OF PRICING SUPPLEMENT

*The Pricing Supplement in respect of each Tranche of Instruments issued under the Programme will be substantially in the following form, duly completed to reflect the particular terms of the relevant PD Exempt Instruments and their issue.*

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC, AS AMENDED (THE “**PROSPECTUS DIRECTIVE**”) FOR THE ISSUE OF THE INSTRUMENTS DESCRIBED BELOW. THE UK LISTING AUTHORITY HAS NEITHER APPROVED NOR REVIEWED ANY INFORMATION CONTAINED IN THIS PRICING SUPPLEMENT AND ANY INSTRUMENTS ISSUED PURSUANT TO THIS PRICING SUPPLEMENT ARE NOT COMPLIANT WITH THE PROSPECTUS DIRECTIVE.

### PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 21 January 2014 which [together with the supplementary listing particulars dated [●]] constitutes listing particulars. This document constitutes the Pricing Supplement of the PD Exempt Instruments described herein and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the PD Exempted Instruments is only available on the basis of the combination of this Pricing Supplement and the Prospectus [as so supplemented]. The Prospectus [and the supplemental Prospectus] [is] [are] available for viewing during normal business hours at the registered offices of the Issuer at [●] and copies may be obtained from the registered offices of the Fiscal Agent at [●].

*The following alternative language applies if the first tranche of an issue which is being increased was issued under a Prospectus with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Conditions**”) contained in the Fiscal Agency Agreement dated [issue date of original Instruments] a copy of which is set forth in the Base Prospectus dated [original date] and incorporated by reference into the Prospectus dated [date of current prospectus] and which are attached hereto. This document constitutes the Pricing Supplement of the PD Exempt Instruments described herein. Full information on the Issuer and the offer of the Instruments is only available on the basis of the combination of the Prospectus dated [current date] [and the supplementary listing particulars dated [●] and [●]] and this Pricing Supplement. [The Prospectus [and the supplementary listing particulars] [is/are] available for viewing during normal business hours at the registered offices of the Issuer at [●] and copies may be obtained from the registered offices of the Fiscal Agent at [●].

## GENERAL INFORMATION

1. **Listing:** The listing of the Notes on the Official List will be expressed as a percentage of their principal amount (exclusive of accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of one or more Certificates in respect of each Tranche. The listing of the Programme in respect of the Notes is expected to be granted on or about 23 January 2014. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the Market will normally be effected for delivery on the third working day after the day of the transaction. However, unlisted Notes may be issued pursuant to the Programme.
2. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the establishment of the Programme. The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer passed on 20 January 2010 and the update contained in this Base Prospectus was authorised by a resolution of the board of directors of the Issuer passed on 12 November 2013. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue of the Notes and the performance of its obligations under the Notes.
3. **Significant/Material Change:** There has been no material adverse change in the prospects of the Issuer since 30 September 2013 nor has there been any significant change in the financial or trading position of the Issuer since the date of its last published audited financial statements for the year ended 30 September 2013.
4. **Legal and Arbitration Proceedings:** The Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or has had during the 12 months preceding the date of this Base Prospectus a significant effect on the financial position or profitability of the Issuer.
5. **Clearing Systems:** The Notes have been accepted for clearance through the Euroclear and/or Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The appropriate Common Code and/or the ISIN (and, where applicable, the identification number, together with any further appropriate information, for any other relevant clearing system) for each Series of Notes will be specified in the relevant Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855 Luxembourg. The address of any alternative clearing system will be specified in the relevant Final Terms.
6. **Bearer Notes:** Each Bearer Note with an original maturity of more than one year, Coupon and Talon will bear the following legend.

*“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 of 1986, as amended”.*
7. **Issue Price:** The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Final Terms of each Tranche, based on the prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.
8. **Documents Available:** For so long as Notes may be issued pursuant to this Base Prospectus, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Issuer:

- (i) the Agency Agreement (which includes the forms of the Notes, Coupons, Talons and the Certificates);
- (ii) the Distribution Agreement;
- (iii) the Deed of Covenant;
- (iv) the constitutional documents of the Issuer;
- (v) the financial statements of the Issuer as at and for the two years ended 30 September 2013 and 2012;
- (vi) each Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the EEA nor offered in the EEA in circumstances where a Prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Fiscal Agent as to its holding of Notes and identity); and
- (vii) a copy of this Base Prospectus together with any supplement to this Base Prospectus or further Prospectus.

This Base Prospectus and each Final Terms for Notes listed on the Official List and admitted to trading on the Market will be published on the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/prices-and-news/prices-news/home.htm](http://www.londonstockexchange.com/prices-and-news/prices-news/home.htm).

9. **Financial Statements:** Copies of the Issuer's audited financial statements for Financial Years 2013 and 2012 may be obtained, and copies of the Agency Agreement will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.
10. **Auditors:** The audited financial statements of the Issuer have been audited without qualification for the years ended 30 September 2013 and 2012 by Deloitte & Touche, independent auditors, situated at The Woodlands, 20 Woodlands Drive, Woodmead 2196, South Africa. Deloitte & Touche has given, and not withdrawn, its written consent to the inclusion of its auditors' report in this Base Prospectus in the form and content in which it is included. For the purposes of Prospectus Rule 5.5.4R(2)(f), Deloitte & Touche has authorised the contents of its auditors' report referred to above as part of this Base Prospectus, has stated that it is responsible for that report and has declared that it has taken all reasonable care to ensure that the information contained in that report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import

**PRINCIPAL OFFICE OF THE ISSUER**

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