

Programme Memorandum



(Incorporated with limited liability in South Africa under registration number 1980/003695/06)

ZAR 2 000 000 000 **Domestic Medium Term Note Programme**

Issuer



Arranger, Lead Manager and Sponsoring Member



Dealers



Legal Advisers to the Issuer



Legal Advisers to the Arranger



This Programme Memorandum is dated 25 April 2008

PROGRAMME MEMORANDUM



CAPITEC BANK LIMITED

(Incorporated with limited liability in South Africa under registration number 1980/003695/06)

ZAR2 000 000 000 Domestic Medium Term Note Programme

Under this ZAR2 000 000 000 Domestic Medium Term Note Programme (the "**Programme**"), Capitec Bank Limited (the "**Issuer**") may from time to time issue notes of any kind (the "**Notes**"). Capitalised terms used below are defined in the terms and conditions contained in the sections of this Programme Memorandum headed "*Terms and Conditions of the Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes*" and "*Terms and Conditions of the Tier 1 Notes*". Save where expressly otherwise provided, references in this Programme Memorandum to the "**Terms and Conditions**" are, in the case of Tier 1 Notes, to the terms and conditions contained in the section of this Programme Memorandum headed "*Terms and Conditions of the Tier 1 Notes*" and, in the case of any other Notes, to the terms and conditions contained in the section of this Programme Memorandum headed "*Terms and Conditions of the Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes*". Save as set out in this Programme Memorandum, the Notes will not be subject to any minimum or maximum maturity and the maximum aggregate Principal Amount of all Notes from time to time outstanding will not exceed ZAR2 000 000 000.

Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement (the "**Applicable Terms and Conditions**"). Before the Issuer issues any Tranche of Notes, the Issuer shall complete and sign an Applicable Pricing Supplement based on the relevant *pro forma* Applicable Pricing Supplement included in this Programme Memorandum, setting out details of such Notes.

Each Note will be an Unsubordinated Note or a Subordinated Note, as indicated in the Applicable Pricing Supplement. Each Note, whether an Unsubordinated Note or a Subordinated Note (but subject, in the case of Subordinated Notes, to the Capital Regulations), may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Indexed Interest Note, a Partly Paid Note, an Instalment Note, an Indexed Redemption Amount Note, a Mixed Rate Note or such combination of any of the foregoing or such other type of Note as may be determined by the Issuer and specified in the Applicable Pricing Supplement. Subordinated Notes will, subject to the Banks Act and the Capital Regulations, comprise Tier 1 Notes, Undated Tier 2 Notes, Dated Tier 2 Notes and Tier 3 Notes. Subject to the Capital Regulations, (i) the proceeds of the issue of Tier 1 Notes will qualify as "*primary share capital*" (as defined in the Banks Act), (ii) the proceeds of the issue of Undated Tier 2 Notes and Dated Tier 2 Notes will qualify as "*secondary capital*" (as defined in the Banks Act) and (iii) the proceeds of the issue of Tier 3 Notes will qualify as "*tertiary capital*" (as defined in the Banks Act).

This Programme Memorandum was approved by BESA with effect from 25 April 2008. A Tranche of Notes may be listed on BESA or on such other or further Financial Exchange(s) as may be determined by the Issuer and the Dealer(s) and subject to any Applicable Laws. Unlisted Notes may also be issued under the Programme. The Applicable Pricing Supplement relating to a Tranche of Notes listed on BESA will be delivered to BESA and the Central Securities Depository on or before the Issue Date, and the Notes in that Tranche may be traded by or through members of BESA from the date specified in the Applicable Pricing Supplement, in accordance with the rules and operating procedures for the time being of BESA. The settlement of trades on BESA will take place in accordance with the electronic settlement procedures of BESA and the Central Securities Depository for all trades done through BESA. The settlement and redemption procedures for a Tranche of Notes listed on any Financial Exchange (other than or in addition to BESA) will be specified in the Applicable Pricing Supplement.

The holders of Notes that are not listed on BESA will have no recourse against the BESA Guarantee Fund. The holders of Notes that are listed on BESA may claim against the BESA Guarantee Fund (in accordance with the rules of the BESA Guarantee Fund) only if such Notes are traded by or through members of BESA in accordance with the rules and operating procedures for the time being of BESA and the Central Securities Depository.

Notes may be issued on a continuing basis and be placed by one or more Dealers appointed by the Issuer from time to time, which appointment may be for a specific issue of one or more Tranches of Notes or on an ongoing basis.

THIS PROGRAMME MEMORANDUM IS DATED 25 APRIL 2008

Capitalised terms used in this Programme Memorandum are defined in the sections of this Programme Memorandum headed "Terms and Conditions of the Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes" and "Terms and Conditions of the Tier 1 Notes", unless separately defined in this Programme Memorandum and/or, in relation to any particular Tranche of Notes, the Applicable Pricing Supplement. Expressions defined in this Programme Memorandum will bear the same meanings in supplements to this Programme Memorandum which do not themselves contain their own definitions.

The Issuer accepts full responsibility for the information contained in this Programme Memorandum. 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 or incorporated by reference into this Programme Memorandum is correct and does not omit anything likely to affect the import of such information.

The Issuer, having made all reasonable enquiries, confirms that this Programme Memorandum contains or incorporates by reference (see the section of this Programme Memorandum headed "Documents Incorporated by Reference") all information which is material in the context of the issue and the offering of Notes, that the information contained or incorporated by reference in this Programme Memorandum is true and accurate in all material respects and is not misleading and that there are no other facts the omission of which would make this Programme Memorandum or any of such information misleading in any material respect.

The Issuer makes no representation or warranties as to the settlement procedures of the Central Securities Depository or BESA or any other exchange. This Programme Memorandum must be read in conjunction with all documents which are incorporated by reference in this Programme Memorandum (see the section of this Programme Memorandum headed "Documents Incorporated by Reference"). This Programme Memorandum shall be read and construed on the basis that such documents are incorporated into and form part of this Programme Memorandum.

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

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

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

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

Neither the delivery of this Programme Memorandum nor any offer, sale, allotment or solicitation made in connection with the offering of the Notes will, in any circumstances, create any implication or constitute a representation at any time that there has been no change in the affairs of the Issuer since the Programme Date or that the information contained or incorporated by reference in this Programme Memorandum is correct at any time after the Programme Date or that any other financial statements or other information supplied in connection with the Programme is correct as at any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme. Investors should review, inter alia, the most recent financial statements of the Issuer when deciding whether or not to purchase or subscribe for any Notes.

This Programme Memorandum does not constitute an offer to sell or subscribe for or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Programme Memorandum and the offer or sale of or subscription for Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Programme Memorandum or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Programme Memorandum and the offer or sale of or subscription for Notes in the United States of America, the United Kingdom, the European Economic Area and South Africa. None of the Issuer, the Dealers, other professional advisers or BESA represents that this Programme Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, purchased or subscribed for in compliance with any applicable registration or other requirements in any such

jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering, purchase or subscription. In particular, save for obtaining the approval of this Programme Memorandum by BESA, no action has been taken by the Issuer, the Dealers, other professional advisers or BESA which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold or subscribed for, directly or indirectly, and neither this Programme Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that all offers, subscription and sales by or on behalf of them will be made on the same terms.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to any U.S. persons. In addition, there are restrictions on the distribution of this Programme Memorandum in South Africa and the United Kingdom. For a more complete description of certain restrictions on the offering, subscription for, sale and delivery of Notes and the distribution of this Programme Memorandum see the section of this Programme Memorandum headed "Subscription and Sale".

The terms of this Programme Memorandum, if sent to persons resident in jurisdictions outside South Africa may be affected by the laws of the relevant jurisdiction. Such persons should inform themselves about and observe any applicable legal requirements in any such jurisdiction. It is the responsibility of any such person wishing to subscribe for or purchase the Notes to satisfy himself as to the full observance of the laws of the relevant jurisdiction. If and to the extent that this Programme Memorandum is illegal in any jurisdiction, this Programme Memorandum is not made in such jurisdiction and this Programme Memorandum is sent to persons in such jurisdiction for information purposes only.

In connection with the issue and distribution of any Tranche of Notes, the Issuer or a Dealer disclosed as the approved stabilisation manager (if any) in the Applicable Pricing Supplement or any person acting for it ("Stabilisation Manager") may, subject to the terms and conditions for stabilisation contained in the Applicable Pricing Supplement, over-allot or effect transactions with a view to supporting the market price of Notes in the same Series as that Tranche of Notes at a level higher than that which might otherwise prevail for a limited period after the Issue Date. However, there may be no obligation on the Stabilisation Manager or any of its agents to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising is to be carried out in accordance with all Applicable Laws and the price/yield and amount of Notes to be issued under this Programme Memorandum will be determined by the Issuer and each Dealer(s) and/or Arranger at the time of issue in accordance with the prevailing market conditions.

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DOCUMENTS INCORPORATED BY REFERENCE

The documents listed below are deemed to be incorporated into, and to form part of, this Programme Memorandum:

- (a) the audited annual financial statements of the Issuer for the financial years ended 28 February 2005, 28 February 2006 and 28 February 2007, together with such statements, reports and notes attached to or intended to be read with such financial statements;
- (b) the audited annual financial statements of the Issuer, together with such statements, reports and notes attached to or intended to be read with such financial statements, in respect of all financial years of the Issuer after the Programme Date;
- (c) the audited consolidated annual financial statements of the Capitec Group for the financial years ended 28 February 2005, 28 February 2006 and 28 February 2007, together with such statements, reports and notes attached to or intended to be read with such financial statements;
- (d) the audited consolidated annual financial statements of the Capitec Group, together with such statements, reports and notes attached to or intended to be read with such financial statements, in respect of all financial years of the Issuer after the Programme Date;
- (e) each Applicable Pricing Supplement; and
- (f) each supplement to this Programme Memorandum circulated by the Issuer from time to time.

It is recorded for the avoidance of doubt that a document listed above does not become a term of the Applicable Terms and Conditions (or the Terms and Conditions) by virtue of the incorporation of such document by reference into this Programme Memorandum.

The annual financial statements listed in paragraphs (a) and (c) above are available for inspection, by each person to whom a copy of this Programme Memorandum has been delivered, during normal office hours, at the Specified Offices of the Issuer and the Transfer Agent. The documents listed in paragraphs (b), (d), (e) and (f) inclusive will, as and when such documents are approved and become available, be available for inspection, by each person to whom a copy of this Programme Memorandum has been delivered, during normal office hours, at the Specified Offices of the Issuer and the Transfer Agent.

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

The Issuer will, for so long as any Notes in a Tranche remain Outstanding and listed on BESA, publish a new Programme Memorandum or a supplement to this Programme Memorandum, as the case may be, if:

- (a) a change in the condition (financial or otherwise) of the Issuer has occurred which is material in the context of the Notes; or
- (b) an event has occurred which affects any matter contained in this Programme Memorandum, the disclosure of which would reasonably be required by Noteholders and/or potential investors in the Notes; or
- (c) any of the information contained in this Programme Memorandum becomes outdated in a material respect; or
- (d) this Programme Memorandum no longer contains all the material correct information required by the Applicable Procedures;

provided that, in the circumstances set out in paragraphs (c) and (d) above, no new Programme Memorandum or supplement to this Programme Memorandum, as the case may be, is required in respect of the Issuer's annual financial statements if such annual financial statements are incorporated by reference into this Programme Memorandum and such annual financial statements are published, as required by the Companies Act, and submitted to BESA within six months after the financial year end of the Issuer.

Any such new Programme Memorandum or Programme Memorandum as supplemented, as the case may be, will be deemed to have substituted the previous Programme Memorandum from the date of issue of the new Programme Memorandum or Programme Memorandum as supplemented, as the case may be.

GENERAL DESCRIPTION OF THE PROGRAMME

A general description of the Programme is set out below. The general description does not purport to be complete and is taken from, and is qualified by, the remainder of this Programme Memorandum and, in relation to any particular Tranche of Notes, the Applicable Pricing Supplement.

Under the Programme, the Issuer may from time to time issue Notes denominated in ZAR or, subject to all Applicable Laws and, in the case of Notes listed on BESA, the rules of BESA, such other currency as is specified in the Applicable Pricing Supplement.

Each Note will be an Unsubordinated Note or a Subordinated Note, as indicated in the Applicable Pricing Supplement. Each Note, whether an Unsubordinated Note or a Subordinated Note (but subject, in the case of Subordinated Notes, to the Capital Regulations), may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Indexed Interest Note, a Partly Paid Note, an Instalment Note, an Indexed Redemption Amount Note, a Mixed Rate Note or such combination of any of the foregoing or such other type of Note as may be determined by the Issuer and specified in the Applicable Pricing Supplement. Subordinated Notes will, subject to the Banks Act and the Capital Regulations, comprise Tier 1 Notes, Undated Tier 2 Notes, Dated Tier 2 Notes or Tier 3 Notes. Subject to the Capital Regulations, (i) the proceeds of the issue of Tier 1 Notes will qualify as “*primary share capital*” (as defined in the Banks Act), (ii) the proceeds of the issue of Undated Tier 2 Notes and Dated Tier 2 Notes will qualify as “*secondary capital*” (as defined in the Banks Act) and (iii) the proceeds of the issue of Tier 3 Notes will qualify as “*tertiary capital*” (as defined in the Banks Act).

A Tranche of Notes will be issued on, and subject to, the Applicable Terms and Conditions.

The Programme Amount will not exceed ZAR2 000 000 000 or its equivalent in such other currencies as Notes are issued, unless such amount is increased as set out below. For the purpose of calculating the aggregate Principal Amount of Notes issued under the Programme from time to time:

- (a) the ZAR equivalent of a Tranche of Notes denominated in another currency shall be determined, at or about the time at which an agreement is entered into for the issue and placing of such Notes as between the Issuer and the relevant Dealer(s), on the basis of the spot rate at such time for the sale of such ZAR amount against the purchase of such currency or unit of account in the Johannesburg inter-bank foreign exchange markets, as quoted by any leading bank selected by the Issuer;
- (b) the amount of a Tranche of Indexed Notes and a Tranche of Partly Paid Notes shall be calculated by reference to the aggregate Principal Amount of that Tranche of Notes (regardless of the Issue Price of that Tranche of Notes);
- (c) the amount of a Tranche of Zero Coupon Notes (and any other Tranche of Notes issued at a discount or a premium) shall be calculated with reference to the Issue Price of that Tranche of Notes.

A Tranche of Notes may be listed on BESA or on such other or further Financial Exchange(s) as may be determined by the Issuer and the Dealer(s) and subject to any Applicable Laws. Unlisted Notes may also be issued. The holders of Notes that are not listed on BESA will have no recourse against the BESA Guarantee Fund. The holders of Notes that are listed on BESA may claim against the BESA Guarantee Fund (in accordance with the rules of the BESA Guarantee Fund) only if such Notes are traded by or through members of BESA in accordance with the rules and operating procedures for the time being of BESA and the Central Securities Depository.

In the event that the Issuer issues a Tranche of unlisted Notes, or any Tranche of Notes is listed on any Financial Exchange other than BESA, the Issuer shall, no later than the last day of the month of such issue, inform BESA in writing of the Principal Amount and scheduled maturity date (if any) of such Notes.

From time to time the Issuer may wish to increase the Programme Amount. Subject to all Applicable Laws, the Programme Agreement, the requirements of BESA and/or any such other Financial Exchange(s) on which the Notes may be listed, the Issuer may, without the consent of Noteholders, increase the Programme Amount by delivering a notice to Noteholders (in accordance with the Terms and Conditions) and BESA and/or any such other Financial Exchange(s) on which the Notes may be listed. Upon such notice being given (following compliance with the provisions of the Programme Agreement), all references in this Programme Memorandum or any other agreement, deed or document in relation to the Programme, to the Programme Amount, shall be and shall be deemed to be references to the increased Programme Amount.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified by, the remainder of this Programme Memorandum and, in relation to any particular Tranche of Notes, the Applicable Pricing Supplement.

Issuer	Capitec Bank Limited (registration number 1980/003695/06).
Description of the Programme	Capitec Bank Limited ZAR2 000 000 000 Domestic Medium Term Note Programme
Size of the Programme	Up to ZAR2 000 000 000 outstanding at any time. Subject to all Applicable Laws, the Programme Agreement, the requirements of BESA and/or any such other Financial Exchange(s) on which the Notes may be listed, the Issuer may, without the consent of Noteholders, increase the Programme Amount by delivering a notice to Noteholders (in accordance with the Terms and Conditions) and BESA and/or any such other Financial Exchange(s) on which the Notes may be listed. The Programme Amount at the time of the issue of any Tranche of Notes will be set out in the Applicable Pricing Supplement.
Arranger	Investec Bank Limited (registration number 1969/004763/06), acting through its division, Investec Capital Markets.
Dealers	Investec Bank Limited, acting through its division, Investec Capital Markets and PSG Prime (Proprietary) Limited, and any additional Dealer appointed under the Programme from time to time pursuant to the Programme Agreement, which appointment may be for a specific issue of one or more Tranches of Notes or on an ongoing basis, subject to the Issuer's right to terminate the appointment of any Dealer.
Calculation Agent and Paying Agent	The Issuer or, if the Issuer elects to appoint, in relation to one or more Tranche(s) of Notes or Series of Notes, another entity as Calculation Agent or Paying Agent (as the case may be), that other entity.
Transfer Agent	Computershare Investor Services (Proprietary) Limited (registration number 2004/003647/07) or such other entity appointed as Transfer Agent by the Issuer from time to time.
Central Securities Depository	STRATE Limited (registration number 1998/022242/06) or any additional or alternate depository approved by the Issuer and BESA.
Noteholder(s)	The holders of the Registered Notes (as recorded in the Register), the Bearers of the Bearer Notes and the Payees of the Order Notes.
Terms and Conditions	<p>The terms and conditions of the Notes (other than the Tier 1 Notes) are set out in this Programme Memorandum under the section "<i>Terms and Conditions of the Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes</i>" (the "Ordinary Conditions"). The Applicable Terms and Conditions of a Tranche of Notes (other than the Tier 1 Notes) are the Ordinary Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.</p> <p>The terms and conditions of the Tier 1 Notes are set out in this Programme Memorandum under the section "<i>Terms and Conditions of the Tier 1 Notes</i>" (the "Tier 1 Conditions"). The Applicable Terms and Conditions of a Tranche of Tier 1 Notes are the Tier 1 Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement.</p>
Form of Notes	Notes may be issued in the form of Registered Notes, Bearer Notes or Order Notes as described in this Programme Memorandum under the section " <i>Form of the Notes</i> ".
Type of Notes	Each Note will be an Unsubordinated Note or a Subordinated Note, as indicated in the Applicable Pricing Supplement. Each Note, whether an Unsubordinated

Note or a Subordinated Note (but subject, in the case of Subordinated Notes, to the Capital Regulations), may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Indexed Interest Note, a Partly Paid Note, an Instalment Note, an Indexed Redemption Amount Note, a Mixed Rate Note or such combination of any of the foregoing or such other type of Note as may be determined by the Issuer and specified in the Applicable Pricing Supplement. Subordinated Notes will, subject to the Banks Act and the Capital Regulations, comprise Tier 1 Notes, Undated Tier 2 Notes, Dated Tier 2 Notes or Tier 3 Notes.

Currencies	South African Rand or, subject to all Applicable Laws and, in the case of Notes listed on BESA, the rules of BESA, in such other currency as is specified in the Applicable Pricing Supplement.
Issue Price	Notes may (subject in the case of Subordinated Notes, to the applicable Capital Regulations) be issued on a fully-paid or a partly-paid basis and at an issue price which is at their Principal Amount or at a discount to, or premium over, their Principal Amount as specified in the Applicable Pricing Supplement.
Interest Period(s) or Interest Payment Date(s)	Such period(s) or date(s) as are specified in the Applicable Pricing Supplement.
Denomination of Notes	Notes will be issued in such denominations as are specified in the Applicable Pricing Supplement.
Status of the Notes	Notes may be issued on a subordinated or unsubordinated basis, as specified in the Applicable Pricing Supplement.
Status of the Unsubordinated Notes	The Unsubordinated Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (<i>Negative Pledge</i>) of the Ordinary Conditions) unsecured obligations of the Issuer, all as described in Condition 5.1 (<i>Status — Status of the Unsubordinated Notes</i>) of the Ordinary Conditions and the Applicable Pricing Supplement.
Status of the Tier 3 Notes	The Tier 3 Notes constitute direct, unsecured and, in accordance with Condition 5.2.3 (<i>Subordination</i>) of the Ordinary Conditions, subordinated obligations of the Issuer and rank <i>pari passu</i> without any preference among themselves and (save for those that have been accorded by law preferential rights) at least <i>pari passu</i> with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) <i>pari passu</i> with the Dated Subordinated Notes.
Status of the Dated Tier 2 Notes	The Dated Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5.3.3 (<i>Subordination</i>) of the Ordinary Conditions, subordinated obligations of the Issuer and rank <i>pari passu</i> without any preference among themselves and (save for those that have been accorded by law preferential rights) at least <i>pari passu</i> with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) <i>pari passu</i> with the Dated Subordinated Notes.
Status of the Undated Tier 2 Notes	The Undated Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5.4.3 (<i>Subordination</i>) of the Ordinary Conditions, subordinated obligations of the Issuer and rank <i>pari passu</i> without any preference among themselves and (save for those that have been accorded by law preferential rights) at least <i>pari passu</i> with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) <i>pari passu</i> with the Undated Tier 2 Notes.
Status of the Tier 1 Notes	Tier 1 Notes constitute direct, unsecured and, in accordance with Condition 5.2 (<i>Subordination</i>) of the Tier 1 Conditions, subordinated obligations of the Issuer and rank <i>pari passu</i> without any preference among themselves. Tier 1 Notes rank <i>pari passu</i> with all subordinated debt issued by the Issuer the proceeds of which qualify as Primary Share Capital and all Non-Redeemable Non-Cumulative Preference Shares issued by the Issuer the proceeds of which qualify as Primary Share Capital. The Tier 1 Notes are senior only in respect of the rights and claims of the holders of Ordinary Shares.

Subordinated Notes and Capital Regulations

In order for the proceeds of the issue of a Tranche of Subordinated Notes to qualify as Primary Share Capital, Secondary Capital or Tertiary Capital, as the case may be, Subordinated Notes must comply with the applicable Capital Regulations (including such Additional Conditions (if any) as are prescribed by the Registrar of Banks in respect of that Tranche of Subordinated Notes). The Issuer will specify in the Applicable Pricing Supplement whether any issue of Notes is an issue of Tier 1 Notes, Undated Tier 2 Notes, Dated Tier 2 Notes or Tier 3 Notes. The Additional Conditions (if any) prescribed by the Registrar of Banks in respect of Subordinated Notes will be specified in the Applicable Pricing Supplement or a supplement to this Programme Memorandum.

Maturities

Notes may be issued with any maturity date or Notes may be issued with no maturity date, subject, in relation to Subordinated Notes, to such minimum maturities as may be required from time to time by the applicable Capital Regulations and, in relation to specific currencies, to compliance with all Applicable Laws and/or regulatory and/or central bank requirements.

Subject to the applicable Capital Regulations: (i) Tier 1 Notes will be issued without a maturity date; (ii) Undated Tier 2 Notes will be issued without a maturity date; (iii) Dated Tier 2 Notes will have a minimum maturity of 5 years and one day; and (iv) Tier 3 Notes will have a minimum maturity of 2 years and one day.

Redemption

Subject as described in "*Maturities*" above, Notes may be redeemed at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the Applicable Pricing Supplement. Notes may also be redeemed in 2 or more instalments on such dates and in such manner as may be specified in the Applicable Pricing Supplement. For so long as the Capital Regulations so require, Subordinated Notes may be redeemed, prior to the Maturity Date (if any), only at the option of the Issuer and with the prior written approval of the Registrar of Banks. In addition, no Subordinated Note may be redeemed otherwise than in accordance with the conditions (if any) specified by the Registrar of Banks in writing.

There is no fixed redemption date for Undated Tier 2 Notes or Tier 1 Notes and the Issuer may only redeem them in accordance with the Applicable Terms and Conditions.

Optional Redemption

Subject as described in "*Redemption*" above, Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) with, in the case of Subordinated Notes, the prior written approval of the Registrar of Banks and in accordance with such conditions (if any) as are specified by the Registrar of Banks in writing and/or (in the case of Unsubordinated Notes) at the option of the Noteholders to the extent (if at all) specified in the Applicable Pricing Supplement.

Tax Redemption

Except as described in "*Optional Redemption*" above (and subject as described in "*Redemption*" above and, in the case of Subordinated Notes, as described in "*Redemption for Regulatory Reasons*" below), early redemption will only be permitted for tax reasons as described in Condition 11.2 (*Redemption for tax reasons*) of the Ordinary Conditions and Condition 10.2 (*Redemption for tax reasons*) of the Tier 1 Conditions.

Redemption for Regulatory Reasons

Except as described in "*Optional Redemption*" and "*Tax Redemption*" above, early redemption of the Subordinated Notes in whole or in part is permitted at the option of the Issuer if a Regulatory Event occurs and while it is continuing as described in Condition 11.3 (*Redemption for regulatory reasons*) of the Ordinary Conditions and Condition 10.3 (*Redemption for regulatory reasons*) of the Tier 1 Conditions.

Interest

Notes may be interest-bearing or non-interest bearing. Subordinated Notes must be interest-bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or, except in the case of the Subordinated Notes, be index-linked, and the method of calculating interest may vary between the Issue Date and the Maturity Date of the relevant Tranche of Notes.

The Issuer may elect not to pay, and in certain circumstances is obliged not to pay, interest on Tier 1 Notes as more fully set out in Condition 6.1 (*Non payment of interest*) of the Tier 1 Conditions.

The Issuer may elect to defer, and in certain circumstances is obliged to defer, payment of interest on Undated Tier 2 Notes as more fully set out in Condition 7.1 (*Deferral of interest payments on the Undated Tier 2 Notes*) of the Ordinary Conditions.

The Issuer will be obliged to defer the payment of principal (or any portion thereof) and/or interest (or any portion thereof) on the Tier 3 Notes, if required by the Registrar of Banks, if the Issuer's qualifying capital falls below or is likely to fall below the minimum amount required by the Capital Regulations as more fully described in Condition 7.4 (*Deferral of principal and/or interest on Tier 3 Notes*) of the Ordinary Conditions.

Negative Pledge	Unsubordinated Notes will have the benefit of a negative pledge as described in Condition 6 (<i>Negative Pledge</i>) of the Ordinary Conditions.
Cross Default	Unsubordinated Notes will have the benefit of a cross default as described in Condition 13 (<i>Events of Default</i>) of the Ordinary Conditions.
Stamp Duty and Uncertificated Securities Tax	As at the Programme Date, no stamp duty or uncertificated securities tax is payable by the Issuer on the original issue of Notes. Further, no stamp duty or uncertificated securities tax is payable on the transfer of Notes which constitute an instrument as defined in section 24J of the Income Tax Act. Any future stamp duties or uncertificated securities tax that may be introduced will be for the account of the Noteholders.
Withholding tax	As at the Programme Date, all payments in respect of the Notes will be made without withholding or deduction for or on account of Taxes levied in South Africa. In the event that any such withholding or other deduction is required by Applicable Law, then the Issuer will, subject to certain exceptions as provided in Condition 12 (<i>Taxation</i>) of the Ordinary Conditions and Condition 11 (<i>Taxation</i>) of the Tier 1 Conditions, pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction.
Tax status	A summary of applicable South African Tax legislation as at the Programme Date appears in the section of this Programme Memorandum headed " <i>South African Taxation</i> ". The section does not constitute tax advice and investors should consult their own professional advisers.
Governing Law	Unless otherwise specified in the Applicable Pricing Supplement, the provisions of this Programme Memorandum, the Notes and the Applicable Terms and Conditions will be governed by, and construed in accordance with the laws of South Africa.
Listing	This Programme Memorandum was approved by BESA with effect from 25 April 2008. Notes issued under the Programme may be listed on BESA or such other or further Financial Exchange(s) as may be determined by the Issuer and the Dealer(s) and subject to any Applicable Laws. Unlisted Notes may also be issued under the Programme. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange.
Register	The Register maintained by the Transfer Agent in terms of the Terms and Conditions.
Selling Restrictions	The distribution of this Programme Memorandum and any offering or sale of or subscription for a Tranche of Notes may be restricted by law in certain jurisdictions, and are restricted by law in the United States of America, the European Economic Area, the United Kingdom and South Africa. Any relevant selling restrictions and other restrictions as may be required to be met in relation to an offering or sale of or subscription for a Tranche of Notes shall be included in the Applicable Pricing Supplement. Persons who come into possession of this

Programme Memorandum or the Applicable Pricing Supplement must inform themselves about and observe such restrictions.

Blocked Rand

Blocked Rand may be used for the purchase of or subscription for Notes, subject to the Exchange Control Regulations.

FORM OF THE NOTES

Notes may be issued in the form of Registered Notes, Bearer Notes or Order Notes.

REGISTERED NOTES

Registered Notes will be issued in certificated form (see “*Notes issued in certificated form*” below) or in uncertificated form (see “*Notes issued in uncertificated form*” below). Each Tranche of Notes which is listed on BESA and either represented by the Global Certificate or issued in uncertificated form, will be held in the Central Securities Depository. A Tranche of unlisted Notes may also be issued in the Central Securities Depository (see “*Beneficial Interests in Notes held in the Central Securities Depository*” below).

Notes issued in certificated form

Each Tranche of unlisted Notes and each Tranche of Notes which is listed on BESA and lodged in the Central Securities Depository will be issued in certificated form.

Each Tranche of Notes which is listed on BESA and/or lodged in the Central Securities Depository will be represented by a single Global Certificate in registered form. Each Global Certificate will be deposited with and lodged in the Central Securities Depository and the Tranche of Notes represented by that Global Certificate will be registered in the Register in the name of the Central Securities Depository's Nominee (see “*Beneficial Interests in Notes held in the Central Securities Depository*” below).

All Notes issued in certificated form which are not represented by a Global Certificate will be represented by single Individual Certificates in registered form. Notes represented by Individual Certificates will be registered in the Register in the name of the individual Noteholders.

Certificates will not be issued in bearer form. Title to Notes represented by Certificates will pass upon registration of transfer in accordance with Condition 15.1 (*Transfer of Registered Notes*) of the Ordinary Conditions or Condition 15.1 (*Transfer of Registered Notes*) of the Tier 1 Conditions, as the case may be.

The Issuer will regard the Register as the conclusive record of title to Notes represented by Certificates.

Payments of all amounts due and payable in respect of Notes represented by Certificates will be made in accordance with Condition 9 (*Payments*) of the Ordinary Conditions or Condition 9 (*Payments*) of the Tier 1 Conditions, as the case may be, to the person reflected as the registered holder of such Notes in the Register at 17h00 (South African time) on the Last Day to Register, and the Issuer will be discharged by proper payment to or to the order of such registered holder in respect of each amount so paid.

Notes issued in uncertificated form

A Tranche of Notes which is listed on BESA may, subject to Applicable Laws, be issued in uncertificated form in terms of Section 37 of the Securities Services Act.

Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Tranche of Notes issued in uncertificated form will be held by the Central Securities Depository, and the Central Securities Depository's Nominee will be named in the Register as the registered holder of that Tranche of Notes (see “*Beneficial Interests in Notes held in the Central Securities Depository*” below).

Beneficial Interests in Notes held in the Central Securities Depository

A Tranche of Notes which is listed on BESA will either be issued in certificated form and lodged in the Central Securities Depository under the Global Certificate or be issued in uncertificated form and held in the Central Securities Depository. A Tranche of unlisted Notes may also be lodged in the Central Securities Depository under the Global Certificate. While a Tranche of Notes is held in its entirety in the Central Securities Depository, the Central Securities Depository's Nominee will be named in the Register as the sole Noteholder of the Notes in that Tranche.

The Central Securities Depository will hold each Tranche of Notes subject to the Securities Services Act and the Applicable Procedures. All amounts to be paid and all rights to be exercised in respect of Notes held in the Central Securities Depository will be paid to and may be exercised only by the Central Securities Depository's Nominee for the holders of Beneficial Interests in such Notes.

The Central Securities Depository maintains central securities accounts only for Participants. As at the Programme

Date, the Participants are ABSA Bank Limited, FirstRand Bank Limited, Nedbank Limited, The Standard Bank of South Africa Limited and the South African Reserve Bank. Beneficial Interests which are held by Participants will be held directly through the Central Securities Depository, and the Central Securities Depository will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the Central Securities Depository for such Participants.

The Participants are in turn required to maintain securities accounts for their clients. Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the Central Securities Depository only through their Participants. Euroclear Bank S.A./N.V. as operator of the Euroclear System (“Euroclear”) and Clearstream Banking, société anonyme, (Clearstream Luxembourg) (“Clearstream”) may hold Notes through their Participant.

In relation to each person shown in the records of the Central Securities Depository or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Principal Amount of Notes, a certificate or other document issued by the Central Securities Depository or the relevant Participant, as the case may be, as to the Principal Amount of such Notes standing to the account of such person shall be *prima facie* proof of such Beneficial Interest. The Central Securities Depository’s Nominee (as the registered holder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that aggregate Principal Amount of such Notes for all purposes.

Title to Beneficial Interests held by clients of Participants indirectly through such Participants will pass on transfer thereof by electronic book entry in the securities accounts maintained by such Participants for such clients. Title to Beneficial Interests held by Participants directly through the Central Securities Depository will pass on transfer thereof by electronic book entry in the central securities accounts maintained by the Central Securities Depository for such Participants. Beneficial Interests may be transferred only in accordance with the Applicable Procedures. Holders of Beneficial Interests vote in accordance with the Applicable Procedures.

The holder of a Beneficial Interest will only be entitled to exchange such Beneficial Interest for Notes represented by an Individual Certificate in accordance with Condition 14.1 (*Exchange of Beneficial Interests*) of the Ordinary Conditions or Condition 14.1 (*Exchange of Beneficial Interests*) of the Tier 1 Conditions, as the case may be.

BEARER NOTES

A Tranche of Bearer Notes will be embodied in, and represented by, Bearer Certificate(s). Tier 1 Notes, Tier 2 Notes and Tier 3 Notes will not be issued in the form of Bearer Notes.

Bearer Certificates which represent and embody interest bearing Bearer Notes shall, if indicated in the Applicable Pricing Supplement, have interest Coupons attached to the relevant Bearer Certificates on issue. Bearer Certificates which represent and embody Bearer Notes which are repayable in instalments shall have Receipts for the payment of the instalments of principal (other than the final instalment) attached to the relevant Bearer Certificates on issue.

The disposal or acquisition of or dealing in Bearer Notes is subject to the prior written approval of the Minister of Finance (or a person authorised by the Minister of Finance) in accordance with regulation 15 of the Exchange Control Regulations.

Title to Bearer Notes will pass by delivery of the relevant Bearer Certificate in accordance with Condition 15.2 (*Transfer of Bearer Notes*) of the Ordinary Conditions.

ORDER NOTES

A Tranche of Order Notes will be embodied in, and represented by, Order Certificate(s). Tier 1 Notes, Tier 2 Notes and Tier 3 Notes will not be issued in the form of Order Notes.

Order Certificates which represent and embody interest-bearing Order Notes shall, if indicated in the Applicable Pricing Supplement, have interest Coupons attached to the relevant Order Certificates on issue. Order Certificates which represent and embody Order Notes which are repayable in instalments shall have Receipts for the payment of the instalments of principal (other than the final instalment) attached to the relevant Order Certificates on issue.

Title to Order Notes will pass by way of Endorsement and delivery of the relevant Order Certificate in accordance with Condition 15.3 (*Transfer of Order Notes*) of the Ordinary Conditions.

ENDORSEMENTS ON CERTAIN CERTIFICATES

LEGEND TO APPEAR ON TIER 1 NOTES CERTIFICATES

Unless otherwise required by the applicable Capital Regulations, the Certificates representing Tier 1 Notes will bear a legend to the following effect:

*"The proceeds obtained through the issue of the Notes represented by this Certificate qualify as capital for the issuing bank in terms of the provisions of the South African Banks Act, 1990 (the "**Banks Act**"). Any direct or indirect acquisition of the Notes represented by this Certificate by a bank or controlling company, as defined in the Banks Act, or by a non-bank subsidiary of a bank or controlling company, shall be regarded as a deduction against the capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the Notes represented by this Certificate.*

*The Notes represented by this Certificate constitute direct, unsecured and, in accordance with Condition 5.2 (Subordination) of the "Terms and Conditions of the Tier 1 Notes", subordinated obligations of the Issuer and rank **pari passu** without any preference amongst themselves. The Notes represented by this Certificate rank **pari passu** with all subordinated debt issued by the Issuer the proceeds of which subordinated debt qualify as "primary share capital" (as defined in the Banks Act) and all Non-Redeemable Non-Cumulative Preference Shares issued by the Issuer the proceeds of which qualify as "primary share capital" as defined in the Banks Act. The Notes represented by this Certificate rank senior only to the ordinary shares in the issued share capital of the Issuer.*

Subject to applicable law, if the Issuer is wound-up or put into liquidation or placed under judicial management or curatorship, voluntarily or involuntarily, the claims of the Holders of the Notes represented by this Certificate shall be subordinated to the claims of Depositors, Senior Creditors and holders of Subordinated Debt (each as defined, in relation to Tier 1 Notes, in Condition 1 (Interpretation) of the "Terms and Conditions of the Tier 1 Notes"). In any such event, no amount shall be payable to any Holder of the Notes represented by this Certificate entitled to be paid amounts due under the Notes represented by this Certificate until the claims of Depositors, Senior Creditors and holders of Subordinated Debt which are admissible in any such winding-up, liquidation or administration have been paid or discharged in full, as set out more fully in Condition 5 (Status) of the "Terms and Conditions of the Tier 1 Notes".

The Notes represented by this Certificate may be redeemed only at the option of the Issuer and with prior written approval of the Registrar of Banks.

The Registrar of Banks has approved the issue of the Notes represented by this Certificate in terms of the Banks Act (as read with Regulation 38(13) of the "Regulations Relating to Banks" promulgated under the Banks Act) and for the proceeds thereof to rank as "primary share capital" as defined in the Banks Act.

The Notes represented by this Certificate have no Maturity Date."

LEGEND TO APPEAR ON UNDATED TIER 2 NOTES CERTIFICATES

Unless otherwise required by the applicable Capital Regulations, the Certificates representing Undated Tier 2 Notes will bear a legend to the following effect:

*"The proceeds obtained through the issue of the Notes represented by this Certificate qualify as capital for the issuing bank in terms of the provisions of the South African Banks Act, 1990 (the "**Banks Act**"). Any direct or indirect acquisition of the Notes represented by this Certificate by a bank or controlling company, as defined in the Banks Act, or by a non-bank subsidiary of a bank or controlling company, shall be regarded as a deduction against the capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the Notes represented by this Certificate.*

*The Notes represented by this Certificate constitute direct, unsecured and, in accordance with Condition 5.3.3 (Subordination) of the "Terms and Conditions of the Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes", subordinated obligations of the Issuer and rank **pari passu** without any preference amongst themselves and (save for those that have been accorded by law preferential rights) at least **pari passu** with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) **pari passu** with the Undated Tier 2 Notes.*

Subject to applicable law, if the Issuer is wound-up or put into liquidation or placed under judicial management or curatorship, voluntarily or involuntarily, the claims of the Holders of the Notes represented by this Certificate shall be subordinated to the claims of Depositors, Senior Creditors and holders of Subordinated Debt (each as defined, in relation to Undated Tier 2 Notes, in Condition 1 (Interpretation) of the "Terms and Conditions of the Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes"). In any such event, no amount shall be payable to any Holder of the Notes represented by this Certificate entitled to be paid amounts due under the Notes represented

by this Certificate until the claims of Depositors, Senior Creditors and holders of Subordinated Debt which are admissible in any such winding-up, administration or liquidation have been paid or discharged in full, as set out more fully in Condition 5.4 (Status of the Undated Tier 2 Notes) of the "Terms and Conditions of the Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes"

The Notes represented by this Certificate may be redeemed only at the option of the Issuer and with prior written approval of the Registrar of Banks.

The Registrar of Banks has approved the issue of the Notes represented by this Certificate in terms of the Banks Act (as read with Regulation 38(14)(a) of the "Regulations Relating to Banks" promulgated under the Banks Act) and for the proceeds thereof to rank as "secondary capital" as defined in the Banks Act.

The Notes represented by this Certificate have no Maturity Date."

LEGEND TO APPEAR ON DATED TIER 2 NOTES CERTIFICATES

Unless otherwise required by the applicable Capital Regulations, the Certificates representing Dated Tier 2 Notes will bear a legend to the following effect:

"The proceeds obtained through the issue of the Notes represented by this Certificate qualify as capital for the issuing bank in terms of the provisions of the South African Banks Act, 1990 (the "Banks Act"). Any direct or indirect acquisition of the Notes represented by this Certificate by a bank or controlling company, as defined in the Banks Act, or by a non-bank subsidiary of a bank or controlling company, shall be regarded as a deduction against the capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the Notes represented by this Certificate.

*The Notes represented by this Certificate constitute direct, unsecured and, in accordance with Condition 5.3.3 (Subordination) of the "Terms and Conditions of the Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes", subordinated obligations of the Issuer and rank **pari passu** without any preference amongst themselves and (save for those that have been accorded by law preferential rights) at least **pari passu** with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) **pari passu** with the Dated Tier 2 Notes.*

Subject to applicable law, if the Issuer is wound-up or put into liquidation or placed under judicial management or curatorship, voluntarily or involuntarily, the claims of the Holders of the Notes represented by this Certificate shall be subordinated to the claims of Depositors and Senior Creditors (each as defined, in relation to Dated Tier 2 Notes, in Condition 1 (Interpretation) of the "Terms and Conditions of the Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes"). In any such event, no amount shall be payable to any Holder of the Notes represented by this Certificate entitled to be paid amounts due under the Notes represented by this Certificate until the claims of Depositors and Senior Creditors which are admissible in any such winding-up, liquidation or administration have been paid or discharged in full, as set out more fully in Condition 5.3 (Status of the Dated Tier 2 Notes) of the "Terms and Conditions of the Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes".

The Notes represented by this Certificate may be redeemed before the Maturity Date only at the option of the Issuer and with prior written approval of the Registrar of Banks.

The Registrar of Banks has approved the issue of the Notes represented by this Certificate in terms of the Banks Act (as read with Regulation 38(14)(b) of the "Regulations Relating to Banks" promulgated under the Banks Act) and for the proceeds thereof to rank as "secondary capital" as defined in the Banks Act.

The Notes represented by this Certificate are issued for a minimum period of 5 years and one day."

LEGEND TO APPEAR ON TIER 3 NOTES CERTIFICATE

Unless otherwise required by the applicable Capital Regulations, the Certificates representing Tier 3 Notes will bear a legend to the following effect:

"The proceeds obtained through the issue of the Notes represented by this Certificate qualify as capital for the issuing bank in terms of the provisions of the South African Banks Act, 1990 (the "Banks Act"). Any direct or indirect acquisition of the Notes represented by this Certificate by a bank or controlling company, as defined in the Banks Act, or by a non-bank subsidiary of a bank or controlling company, shall be regarded as a deduction against the capital of the acquiring bank or controlling company in question, in an amount equal to the book value of the said investment in the Notes represented by this Certificate.

*The Notes represented by this Certificate constitute direct, unsecured and, in accordance with Condition 5.2.3 (Subordination) of the "Terms and Conditions of the Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes", subordinated obligations of the Issuer and rank **pari passu** without any preference amongst themselves and*

(save for those that have been accorded by law preferential rights) at least **pari passu** with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) **pari passu** with the Tier 3 Notes.

Subject to applicable law, if the Issuer is wound-up or put into liquidation or placed under judicial management or curatorship, voluntarily or involuntarily, the claims of the Holders of the Notes represented by this Certificate shall be subordinated to the claims of Depositors and Senior Creditors (each as defined, in relation to Tier 3 Notes, in Condition 1 (Interpretation) of the "Terms and Conditions of the Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes"). In any such event, no amount shall be payable to any Holder of the Notes represented by this Certificate entitled to be paid amounts due under the Notes represented by this Certificate until the claims of Depositors and Senior Creditors which are admissible in any such winding-up, liquidation or administration have been paid or discharged in full, as set out more fully in Condition 5.2 (Status of the Tier 3 Notes) of the "Terms and Conditions of the Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes".

The Notes represented by this Certificate may be redeemed before the Maturity Date only at the option of the Issuer and with the prior written approval of the Registrar of Banks.

The Registrar of Banks has approved the issue of the Notes represented by this Certificate in terms of the Banks Act (as read with Regulation 38(16) of the "Regulations Relating to Banks" promulgated under the Banks Act) and for the proceeds thereof to rank as "tertiary capital" as defined in the Banks Act.

The Notes represented by this Certificate are issued for a minimum period of 2 years and one day."

RISK FACTORS

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts under any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information available to it as at the Programme Date, or which it may not be able to anticipate. The Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. The information set out below is not intended as advice and does not purport to describe all of the considerations that may be relevant to a prospective subscriber for or purchaser of any Notes.

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

Risks relating to the Issuer

Risk Management

The Issuer, in common with other banks in South Africa and elsewhere, is exposed to commercial and market risks in the ordinary course of its business, the most significant of which are credit risk, market risk, liquidity risk, interest rate risk and operational risk. Credit risk is the risk of loss due to non-performance of a counterparty in respect of any financial or performance obligation due to deterioration in the financial status of the counterparty. Market risk is the risk of loss on trading instruments and portfolios due to changes in market prices and rates. Liquidity risk is the inability to discharge funding or trading obligations which fall due at market related prices. Interest rate risk is the sensitivity of the balance sheet and income statement to unexpected, adverse movements of interest rates. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Whilst the Issuer believes that it has implemented appropriate policies, systems and processes to control and mitigate these risks, investors should note that any failure to control these risks adequately could have an adverse effect on the financial condition and reputation of the Issuer.

Concentration Risk

The Issuer's business is significantly focused on the South African markets and therefore faces a geographic concentration risk. Any adverse changes affecting the South African economy are likely to have an adverse impact on the Issuer's loan portfolio and, as a result, on its financial condition and the results of its operations.

Liquidity Risk

Capitec Bank's wholesale funding preference is for fixed term instruments of longer dated maturities and the Bank does not actively seek wholesale call deposits for funding purposes. Capitec Bank believes that it has a strong core retail deposit base and it will endeavour to increase the maturity durations of these deposits in the future through the introduction of additional savings products. Although the Bank believes that its level of access to domestic and international inter-bank 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 the results of its 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.

Competitive Landscape

The Issuer is subject to competition from other major banks operating in South Africa, including competitors that may have greater financial and other resources and, in certain markets, from international banks. Many of these banks operating in the Issuer's markets compete for substantially the same customers as the Issuer. Competition may increase in some or all of the Issuer's principal markets and may have an adverse effect on its financial condition and the results of its operations.

Capital Adequacy Requirements

The Issuer is subject to the capital adequacy requirements set out in the Capital Regulations, which provide for a minimum target ratio of capital to risk-adjusted assets, which could limit its operations. Any failure by the Issuer to

maintain its ratios may result in sanctions against the Issuer which may in turn impact on its ability to fulfil its obligations under the Notes. In addition, the Basel Committee has issued proposals for reform of the 1988 Basel Capital Accord and has proposed a framework which places enhanced emphasis on market discipline and sensitivity to risk. The new Basel Capital Accord proposals were substantially implemented in the South African bank regulatory framework from 1 January 2008. The Issuer has implemented numerous initiatives in preparation for the framework transition, and has internally assessed and provided for the anticipated budgetary impacts of the Basel II implementation and is of the view that it will have an immaterial impact. Notwithstanding this, it is difficult for the Issuer to predict the precise effects of the changes that may result from implementation of the proposals on the Issuer's calculations of capital, the impact of these revisions on other aspects of its operations or the impact on the pricing of the Notes. Prospective investors in the Notes should consult their own advisers as to the consequences for them of the application of the new Basel Capital Accord proposals.

In particular, certain provisions of the Banks Act have been amended with effect from 1 January 2008 in order, among other things, to provide for the issue by a bank of:

- "hybrid-debt instruments", on the terms and conditions set out in Regulation 38(13) of the Regulations, and for the proceeds of the issue of such "hybrid-debt instruments" to qualify as Primary Share Capital;
- "hybrid-debt instruments", on the terms and conditions set out in Regulation 38(14)(a) of the Regulations, and for the proceeds of the issue of such "hybrid-debt instruments" to qualify as Undated Secondary Capital;
- term debt instruments, on the terms and conditions set out in Regulation 38(14)(b) of the Regulations, and for the proceeds of the issue of such term debt instruments to qualify as Dated Secondary Capital;
- debt instruments, on the terms and conditions set out in Regulation 38(16) of the Regulations, and for the proceeds of the issue of such debt instruments to qualify as Tertiary Capital.

It is intended that issues of, respectively, Tier 1 Notes, Undated Tier 2 Notes, Dated Tier 2 Notes and Tier 3 Notes will comply with the applicable provisions of the Regulations, as set out above, and that the respective proceeds of such issues will qualify as, respectively, Primary Share Capital, Undated Secondary Capital, Dated Secondary Capital and Tertiary Capital.

Risks Relating to the Notes

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

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

Limited liquidity of the Notes

The Issuer may issue listed or unlisted Notes. The continued listing of any Tranche of Notes listed on BESA and/or on any other Financial Exchange(s) is subject to the rules of the relevant Financial Exchange(s) in force from time to time,

and the continued functioning of the relevant Financial Exchange(s). There can accordingly be no assurance that the listing of any Tranche of Notes will continue until the Maturity Date (if any).

Currently no secondary market exists for the Notes. There can be no assurance that any secondary market for any of the Notes will develop or, if a secondary market does develop, that it will provide the Noteholders with liquidity of investment or that it will continue until the Maturity Date (if any). Consequently, a subscriber or purchaser must be prepared to hold its Notes until the Maturity Date (if any).

Noteholders that trade in Registered Notes during the period that the Register is closed prior to each Interest Payment Date, will need to reconcile any amounts payable on the following Interest Payment Date pursuant to a partial redemption of the Notes. As a result, secondary market liquidity of Registered Notes may reduce during this period.

Subordinate Notes are, as at the Programme Date, new securities. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer.

Notes listed on BESA are held by the Central Securities Depository

Because Notes listed on BESA are held by the Central Securities Depository, investors will have to rely on its procedures for transfer, payment and communication with the Issuer.

Each Tranche of Notes which is listed on BESA, whether issued in certificated form or in uncertificated form, will be held in the Central Securities Depository. Unlisted Tranches of Notes may also be held in the Central Securities Depository. Except in the circumstances described in the Terms and Conditions, investors will not be entitled to receive Individual Certificates. The Central Securities Depository will maintain records of the Beneficial Interests in Notes held in the Central Securities Depository. While the Notes are held in the Central Securities Depository, investors will be able to trade their Beneficial Interests in such Notes only through the Central Securities Depository.

While Notes are held in the Central Securities Depository the Issuer will discharge its payment obligations under such Notes by making payments to or to the order of the Central Securities Depository's Nominee (as the registered holder of such Notes), for distribution to the holders of Beneficial Interests in such Notes. A holder of a Beneficial Interest in Notes must rely on the procedures of the Central Securities Depository and Participants to receive payments under such Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, Beneficial Interests.

Holders of Beneficial Interests in Notes vote in accordance with the Applicable Procedures and will not have a direct right to vote in respect of such Notes.

Non-recourse obligations

The Notes will be obligations solely of the Issuer. The Notes will not be obligations of, or the responsibility of, or guaranteed by, the Controlling Company or any other person.

Limited recourse to the BESA Guarantee Fund

The holders of Notes that are not listed on BESA will have no recourse against the BESA Guarantee Fund. The holders of Notes that are listed on BESA may claim against the BESA Guarantee Fund (in accordance with the rules of the BESA Guarantee Fund) only if such Notes are traded by or through members of BESA in accordance with the rules and operating procedures for the time being of BESA and the Central Securities Depository.

Risks relating 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:

Notes subject to optional redemption by the Issuer

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any such 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 re-invest 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. Any redemption of Subordinated Notes prior to the Maturity Date (if any) requires the prior written approval of the Registrar of Banks.

Index-Linked and Dual Currency Notes

The Issuer may issue Notes the terms of which provide for interest or principal payable in respect of such Note to be determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "**Relevant Factor**") or with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- the market price of such Notes may be volatile;
- no interest may be payable on such Notes;
- payments of principal or interest on such Notes may occur at a different time or in a different currency than expected;
- the amount of principal payable at redemption may be less than the nominal amount of such Notes or even zero;
- a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

Partly-paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of its investment.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the market value of the Fixed Rate Notes. Investment in Notes that bear interest at a rate that converts from a Fixed Interest Rate to a Floating Interest Rate (or *vice versa*) may affect the market value of the Notes. If the interest on the Notes is converted from a Fixed Interest Rate to a Floating Interest Rate, the spread on the Notes may be less favourable than then prevailing spreads on comparable Notes tied to the same reference rate. In addition, the new Floating Interest Rate at any time may be lower than the rates on other Notes. If the interest on the Notes is converted from a Floating Interest Rate to a Fixed Interest Rate, the new Fixed Interest Rate may be lower than then prevailing rates on other Notes.

Notes issued at a substantial discount or premium

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

Modification and waivers and substitution

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

Change of law

No assurance can be given as to the impact of any possible judicial decision or change to South African law or administrative practice after the Programme Date.

Rating of a Tranche of Notes

The Programme is not rated. A Tranche of Notes may, on or before the Issue Date, be rated by a rating agency on a national scale or international scale basis. Unrated Tranches of Notes may also be issued. A rating of a Tranche of Notes

is not a recommendation to subscribe for, buy, sell or hold any Notes, inasmuch as, among other things, a rating does not comment on the market price or suitability of the Notes for a particular investor. A rating of a Tranche of Notes only addresses the likelihood that the aggregate Outstanding Principal Amount of Notes in that Tranche will be fully repaid by the Maturity Date (if any) and that the interest (if any) payable in respect of such Notes will be paid on a timely basis. A rating of a Tranche of Notes does not address the likelihood of repayment of the aggregate Outstanding Principal Amount of such Notes before the Maturity Date (if any). A rating of a Tranche of Notes may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency and, accordingly, there can be no assurance that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the rating agency if, in its judgment, circumstances in the future warrant such action. There can be no assurance of any connection between a rating on a national scale basis and a rating on an international scale basis. Any adverse change in a rating of a Tranche of Notes could adversely affect the trading price of all or any of the Notes.

Risks relating to the Subordinated Notes

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

The payment obligations of the Issuer under Subordinated Notes will rank behind Unsubordinated Notes. In particular, the payment obligations of the Issuer under (a) Tier 1 Notes will rank behind Unsubordinated Notes, Tier 3 Notes and Tier 2 Notes, (b) Undated Tier 2 Notes will rank behind Unsubordinated Notes, Dated Tier 2 Notes and Tier 3 Notes, (c) Dated Tier 2 Notes will rank behind Unsubordinated Notes and *pari passu* with Tier 3 Notes, and (d) Tier 3 Notes will rank behind Unsubordinated Notes and *pari passu* with Dated Tier 2 Notes. See Condition 5 (*Status*) of the Tier 1 Conditions in respect of Tier 1 Notes and Conditions 5.2 (*Status of Tier 3 Notes*), 5.3 (*Status of Dated Tier 2 Notes*) and 5.4 (*Status of Undated Tier 2 Notes*) of the Ordinary Conditions in respect of Tier 2 and Tier 3 Notes for a full description of subordination and the payment obligations of the Issuer under Subordinated Notes.

With regard to any Subordinated Notes, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or wound-up or placed under judicial management or curatorship, the Issuer will be required to pay or discharge the claims of Depositors, Senior Creditors (each as defined, in relation to Tier 1 Notes, in Condition 1 (*Interpretation*) of the Tier 1 Conditions and, in relation to Tier 2 Notes and Tier 3 Notes, in Condition 1 (*Interpretation*) of the Ordinary Conditions) and (other than in the case of Tier 3 Notes and Dated Tier 2 Notes) the holders of Subordinated Debt (as defined, in relation to Tier 1 Notes, in Condition 1 (*Interpretation*) of the Tier 1 Conditions and, in relation to Tier 2 Notes and Tier 3 Notes, in Condition 1 (*Interpretation*) of the Ordinary Conditions) in full before it can make any payments in respect of such Subordinated Notes. If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under such 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 the Subordinated Notes. The issue of any such securities or indebtedness may reduce the amount recoverable by Noteholders of Subordinated Notes on the winding-up, liquidation, judicial management or curatorship of the Issuer.

Winding-up, liquidation and administration

If the Issuer is wound-up or put into liquidation, voluntarily or involuntarily, or placed under judicial management or curatorship, Noteholders of Subordinated Notes will not be entitled to any payments in respect of the Subordinated Notes until the claims of Depositors, Senior Creditors and (other than in the case of Tier 3 Notes and dated Tier 2 Notes) holders of Subordinated Debt (each as defined, in relation to Tier 1 Notes, in Condition 1 (*Interpretation*) of the Tier 1 Conditions and, in relation to Tier 2 Notes and Tier 3 Notes, in Condition 1 (*Interpretation*) of the Ordinary Conditions) which are admissible in any such winding-up, liquidation, judicial management or curatorship have been paid or discharged in full. If the Issuer does not have sufficient assets at the time of winding-up, liquidation, judicial management or curatorship to satisfy those claims, Noteholders of Subordinated Notes will not receive any payment in respect of the Subordinated Notes. There is no limitation on the ability to issue debt securities in the future that would rank equal or senior to the Subordinated Notes if the Issuer is wound-up, or put into liquidation or placed under judicial management or curatorship.

Capital Regulations

In order for the proceeds of the issue of a Tranche of Subordinated Notes to qualify as Primary Share Capital, Secondary Capital or Tertiary Capital, as the case may be, the Subordinated Notes must comply with the applicable Capital Regulations and such Additional Conditions (if any) as are prescribed by the Registrar of Banks in respect of that Tranche of Subordinated Notes.

Risks relating to Tier 1 Notes and Undated Tier 2 Notes

Election (or obligation) not to pay interest on Tier 1 Notes

The Issuer may elect (or be obliged) not to pay any interest on the Tier 1 Notes, as more particularly described in Condition 6.1 (*Non payment of interest*) of the Tier 1 Conditions.

If the Issuer elects (or is obliged) not to pay any interest on the Tier 1 Notes in accordance with Condition 6.1 (*Non payment of interest*) of the Tier 1 Conditions, then the obligation that the Issuer would have had, in the absence of the aforementioned election (or obligation), to pay that interest to the relevant Tier 1 Noteholders on the relevant Interest Payment Date shall be extinguished in its entirety, and any failure to pay that interest shall not constitute a default by the Issuer or any breach of the Applicable Terms and Conditions or for any other purpose and the relevant Noteholders will have no claim of whatsoever nature in respect of any such non-payment.

If the Issuer elects (or is obliged) not to pay any interest on the Tier 1 Notes on an Interest Payment Date pursuant to the provisions of Condition 6.1 (*Non payment of interest*) of the Tier 1 Conditions, then from that Interest Payment Date until the date on which the Issuer next pays in full the interest due and payable on any succeeding Interest Payment Date on all Outstanding Tier 1 Notes, the Issuer shall not (a) declare or pay any distribution or dividend or make any other payment on any Junior Securities and/or Parity Securities (other than (i) Mandatory Securities or (ii) any dividend which has been declared on any Junior Securities and/or Parity Securities before the date of receipt by the Noteholders of the notice given in respect of such election (or obligation) not to pay the relevant interest pursuant to Condition 6.1 (*Non payment of interest*) of the Tier 1 Conditions, or (iii) intra-group dividends on any Junior Securities and/or Parity Securities (other than any Junior Securities and/or Parity Securities issued by the Issuer the proceeds of which qualify as Primary Share Capital) between the Issuer and any other Group Company, which can be paid at any time) or (b) redeem, purchase, cancel, reduce or otherwise acquire any Junior Securities and/or Parity Securities.

Election or obligation to defer payment of interest on Undated Tier 2 Notes

The Issuer may elect (or may be obliged) to defer payment of any interest on the Undated Tier 2 Notes, as more particularly described in Condition 7.1 (*Deferral of interest payments on the Undated Tier 2 Notes*) of the Ordinary Conditions. Arrears of Interest may be satisfied at any time at the election of the Issuer in whole or in part and on 14 days notice to the Undated Tier 2 Noteholders, provided that all Arrears of Interest outstanding shall become due in full on a later date as more fully described in Condition 7.1 (*Deferral of interest payments on the Undated Tier 2 Notes*) of the Ordinary Conditions.

If the Issuer elects (or is obliged) to defer payment of any interest on the Undated Tier 2 Notes on an Interest Payment Date pursuant to the provisions of Condition 7.1 (*Deferral of interest payments on the Undated Tier 2 Notes*) of the Ordinary Conditions) then, from that Interest Payment Date until the date on which the full amount of the Arrears of Interest has been received by the Undated Tier 2 Noteholders and no other Arrears of Interest remain unpaid, the Issuer shall not (a) declare or pay any distribution or dividend or make any other payment on any Junior Securities and/or Parity Securities (other than (i) Mandatory Securities or (ii) any dividend which has been declared on any Junior Securities and/or Parity Securities before the date of receipt by the Noteholders of the notice given in respect of such election (or obligation) to defer payment of the relevant interest pursuant to Condition 7.1 (*Deferral of interest payments on the Undated Tier 2 Notes*) of the Ordinary Conditions or (iii) intra-group dividends on any Junior Securities and/or Parity Securities (other than any Junior Securities and/or Parity Securities issued by the Issuer the proceeds of which qualify as Primary Share Capital) between the Issuer and any other Group Company, which can be paid at any time) or (b) redeem, purchase, cancel, reduce or otherwise acquire any Junior Securities and/or Parity Securities.

Any deferral of interest payments in respect of Undated Tier 2 Notes may have an adverse effect on the market price of such Undated Tier 2 Notes. In addition, as a result of the interest deferral provision of Undated Tier 2 Notes, the market price of Undated Tier 2 Notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Solvency Condition

Payments in respect of the principal and interest on Tier 1 Notes are, in addition to the right of the Issuer to elect not to pay any interest in accordance with Condition 6.1 (*Non-payment of interest*) of the Tier 1 Conditions, conditional upon the Issuer being solvent at the time of payment by the Issuer. Payments in respect of the principal and interest on Undated Tier 2 Notes are, in addition to the right of the Issuer to defer payment of any interest in accordance with Condition 7.1 (*Deferral of interest payments on the Undated Tier 2 Notes*) of the Ordinary Conditions, conditional upon the Issuer being solvent at the time of payment by the Issuer. No principal or interest on Tier 1 Notes or Undated Tier 2 Notes, as the case may be, shall be due and payable in respect of Tier 1 Notes or Undated Tier 2 Notes, as the case may be, except to the extent that the Issuer could make such payment and still be solvent immediately thereafter.

Certain of the restrictions set out under "*Election not to pay interest on the Tier 1 Notes*" above (in the case of Tier 1 Notes) and the restrictions set out under "*Election to defer payment of interest on Undated Tier 2 Notes*" above (in the case of Undated Tier 2 Notes) also apply if any interest in respect of Tier 1 Notes or Undated Tier 2 Notes, as the case

may be, is not paid in full due to the Issuer failing to satisfy the Solvency Condition.

Perpetual securities and redemption risk

The Issuer is under no obligation to redeem, substitute or vary the Tier 1 Notes or to redeem the Undated Tier 2 Notes at any time other than in a winding-up or liquidation of the Issuer in which event the claims of the Tier 1 Noteholders against the Issuer will be subject to Condition 5.2 (*Subordination*) of the Tier 1 Conditions and the claims of the Undated Tier 2 Noteholders will be subject to Condition 5.4.3 (*Subordination*) of the Ordinary Conditions. Noteholders of Tier 1 Notes have no right to call for the redemption, substitution or variation of such Tier 1 Notes and Noteholders of Undated Tier 2 Notes have no right to call for the redemption of such Undated Tier 2 Notes.

The Tier 1 Notes and the Undated Tier 2 Notes can (with the prior written approval of the Registrar of Banks and in accordance with such conditions (if any) as are specified by the Registrar of Banks) be redeemed in whole or, if so specified in the Applicable Pricing Supplement, in part, at the Early Redemption Amount (Tax) or the Early Redemption Amount (Regulatory), as the case may be, on the occurrence of a Tax Event or a Regulatory Event, as the case may be, as more particularly described in Condition 11.2 (*Redemption for tax reasons*) and Condition 10.3 (*Redemption for regulatory reasons*) of both the Tier 1 Conditions and the Ordinary Conditions. The Tier 1 Notes may, instead of being redeemed, be substituted or varied at the option of the Issuer (with the prior written approval of the Registrar of Banks) on the occurrence of a Tax Event or a Regulatory Event, as the case may be, as more particularly described in Condition 10.1 (*Substitution or Variation instead of Redemption*) of the Tier 1 Conditions. In addition, the Tier 1 Notes and the Undated Tier 2 Notes can be redeemed in whole or, if so specified in the Applicable Pricing Supplement, in part on (i) the First Optional Redemption Date at the Optional Redemption Amount (in the case of Tier 1 Notes) or (ii) on the Optional Redemption Date (Call) at the Optional Redemption Amount (Call) (in the case of Undated Tier 2 Notes), as the case may be, at the option of the Issuer (with the prior written approval of the Registrar of Banks and in accordance with such conditions (if any) as are specified by the Registrar of Banks), as more particularly described in Condition 10.4 (*Redemption at the option of the Issuer*) of the Tier 1 Conditions and Condition 11.4 (*Redemption at the option of the Issuer*) of the Ordinary Conditions.

Risks relating to Tier 3 Notes

Deferral of payments on the Tier 3 Notes

Pursuant to the Capital Regulations applicable to Tier 3 Notes, if the Issuer's qualifying capital falls below or is likely to fall below the minimum amount prescribed by the applicable Capital Regulations, the Registrar of Banks may require that interest and/or principal payments in respect of Tier 3 Notes be deferred for such period of time and subject to such conditions (if any) as the Registrar of Banks may determine, as more fully described in Condition 7.4 (*Deferral of principal and/or interest payments on the Tier 3 Notes*) of the Ordinary Conditions.

Any deferral of interest and/or principal payments in respect of Tier 3 Notes may have an adverse effect on the market price of such Tier 3 Notes. In addition, as a result of the interest and principal deferral provision of Tier 3 Notes, the market price of Tier 3 Notes may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Risks relating to South Africa

Risk relating to Emerging Markets

South Africa is generally considered by international investors to be an emerging market. Investors in emerging markets 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 and political risks.

Economic instability in South Africa in the past and in other emerging market countries has been caused by many different factors, including the following:

- high interest rates;
- changes in currency values;
- high levels of inflation;
- exchange controls;
- wage and price controls;
- changes in economic or tax policies;

- the imposition of trade barriers; and
- internal security issues.

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.

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

Investors should also note that developing markets, such as South Africa, are subject to rapid change and that the information set out in this Programme Memorandum may become outdated relatively quickly.

Regulatory Environment

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

Changes in government policy, legislation or regulatory interpretation applying to the financial services industry in the markets in which the Issuer operates may adversely affect the Issuer's product range, distribution channels, capital requirements and, consequently, reported results and financing requirements.

Exchange Controls

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

PRO FORMA PRICING SUPPLEMENT OF THE UNSUBORDINATED NOTES, TIER 2 NOTES AND TIER 3 NOTES

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes which is to be listed on BESA and/or held in the Central Securities Depository under the Global Certificate. The form of Pricing Supplement which will be completed for each Tranche of Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes which is to be listed on any Financial Exchange other than (or in addition to) BESA will, subject to the rules of that Financial Exchange and all Applicable Laws, be substantially in the form set out below, adapted, as applicable, to comply with the rules of that Financial Exchange and all Applicable Laws. The form of Pricing Supplement which will be completed for each Tranche of unlisted Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes and for each Tranche of Bearer Notes and Order Notes will be substantially in the form set out below, adapted, as applicable, in such manner as is agreed by the Issuer and the Dealer(s).

Capitec Bank Limited

(Incorporated with limited liability in South Africa under registration number 1980/003695/06)

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

Under the Capitec Bank Limited ZAR2 000 000 000 Domestic Medium Term Note Programme

This document constitutes the Applicable Pricing Supplement relating to the issue of the Tranche of Notes described in this Pricing Supplement.

This Pricing Supplement must be read in conjunction with the Programme Memorandum issued by Capitec Bank Limited dated 25 April 2008, as amended or supplemented from time to time (the "**Programme Memorandum**"). To the extent that there is any conflict or inconsistency between the contents of this Pricing Supplement and the Programme Memorandum, the provisions of this Pricing Supplement shall prevail.

Any capitalised terms not defined in this Pricing Supplement shall have the meanings ascribed to them in the terms and conditions of the Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes set out in the Programme Memorandum under the section "*Terms and Conditions of the Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes*" (the "**Ordinary Conditions**"). References to any Condition in this Pricing Supplement are to that Condition of the Ordinary Conditions.

DESCRIPTION OF THE NOTES

1. Issuer	Capitec Bank Limited
2. Status of Notes	[Unsubordinated Notes] [Subordinated Notes : Undated Tier 2 Notes / Dated Tier 2 Notes / Tier 3 Notes]
3. (a) Tranche Number (b) Series Number	[] []
4. Aggregate Principal Amount	[]
5. Interest/Payment Basis	[Fixed Rate/Floating Rate/Zero Coupon/Indexed Interest /Indexed Redemption Amount/Partly Paid/Instalment/Exchangeable/other]
6. Form of Notes	[Registered Notes/Bearer Notes/Order Notes]
7. Security	[Secured] [Unsecured]
8. Automatic/Optional Conversion from one Interest/Payment Basis to another	[insert details including date for conversion]
9. Issue Date	[]
10. Business Centre	[]
11. Additional Business Centre	[]
12. Specified Denomination (Principal Amount per Note)	[]
13. Issue Price	[]

14. Interest Commencement Date	[]
15. Maturity Date	[]
16. Specified Currency	[]
17. Applicable Business Day Convention	[Floating Rate Business Day/Following Business Day/Modified Following Business Day/Preceding Business Day/other convention – insert details]
18. Calculation Agent	[]
19. Specified Office of the Calculation Agent	[]
20. Paying Agent	[]
21. Specified Office of the Paying Agent	[]
22. Transfer Agent	[]
23. Specified Office of the Transfer Agent	[]
24. Final Redemption Amount	[]
PARTLY PAID NOTES	
25. Amount of each payment comprising the Issue Price	[]
26. Date upon which each payment is to be made by Noteholder	[]
27. Consequences (if any) of failure to make any such payment by Noteholder	[]
28. Interest Rate to accrue on the first and subsequent instalments after the due date for payment of such instalments	[] percent
INSTALMENT NOTES	
29. Instalment Dates	[]
30. Instalment Amounts (expressed as a percentage of the aggregate Principal Amount of the Notes)	[]
FIXED RATE NOTES	
31. (a) Fixed Interest Rate	[] percent, per annum
(b) Interest Payment Date(s)	[Dates/Periods]
(c) Initial Broken Amount	[]
(d) Final Broken Amount	[]
(e) Any other terms relating to the particular method of calculating interest	[]
FLOATING RATE NOTES	
32. (a) Interest Payment Date(s)	[Dates/Periods]
(b) Interest Period(s)	[]
(c) Definitions of Business Day (if different from that set out in Condition 1)	[]
(d) Minimum Interest Rate	[] percent
(e) Maximum Interest Rate	[] percent
(f) Other terms relating to the method of calculating interest (e.g., Day Count Fraction, rounding up provision, if different from Condition 7)	[]
33. Manner in which the Interest Rate is to be determined	[ISDA Determination/Screen Rate Determination/other (insert details)]
34. Margin	[(+/-) • percent to be added to/subtracted from the relevant (ISDA Rate/Reference

	Rate]]
35. If ISDA Determination	
(a) Floating Rate	[]
(b) Floating Rate Option	[]
(c) Designated Maturity	[]
(d) Reset Date(s)	[]
36. If Screen Determination	
(a) Reference Rate (including relevant period by reference to which the Interest Rate is to be calculated)	[e.g. ZAR-JIBAR-SAFEX]
(b) Interest Determination Date(s)	[]
(c) Relevant Screen Page and Reference Code	[]
37. If Interest Rate to be calculated otherwise than by reference to the previous 2 sub-paragraphs, insert basis for determining Interest Rate/Margin/Fall back provisions	[]
38. If different from the Calculation Agent, agent responsible for calculating amount of principal and interest	[]
MIXED RATE NOTES	
39. Period(s) during which the interest rate for the Mixed Rate Notes will be (as applicable) that for:	[]
(a) Fixed Rate Notes	[]
(b) Floating Rate Notes	[]
(c) Indexed Notes	[]
(d) Other Notes	[]
ZERO COUPON NOTES	
40. (a) Implied Yield	[]
(b) Reference Price	[]
(c) Any other formula or basis for determining amount(s) payable	[]
INDEXED NOTES	
41. (a) Type of Indexed Notes	[Indexed Interest Notes/Indexed Redemption Amount Notes]
(b) Index/Formula by reference to which Interest Amount/Final Redemption Amount is to be determined	[]
(c) Manner in which the Interest Amount/Final Redemption Amount is to be determined	[]
(d) Interest Period	[]
(d) Interest Payment Date(s)	[]
(f) If different from the Calculation Agent, agent responsible for calculating amount of principal and interest	[]
(g) Provisions where calculation by reference to Index and/or Formula is impossible or impracticable	[]
EXCHANGEABLE NOTES	
42. Mandatory Exchange applicable?	[Yes/No]
43. Noteholders' Exchange Right applicable?	[Yes/No]
44. Exchange Securities	[]

45. Manner of determining Exchange Price	[]
46. Exchange Period	[]
47. Other	[]
OTHER NOTES	
48. If the Notes are not Partly Paid Notes, Instalment Notes, Fixed Rate Notes, Floating Rate Notes, Mixed Rate Notes, Zero Coupon Notes, Indexed Notes or Exchangeable Notes or if the Notes are a combination of any of the foregoing, set out the relevant description and any additional Terms and Conditions relating to such Notes	[]
ADDITIONAL CONDITIONS	
PROVISIONS REGARDING REDEMPTION MATURITY	
49. Prior consent of Registrar of Banks required for any redemption prior to the Maturity Date	[Yes/No] [Consent of the Registrar of Banks will be necessary where the Notes are Subordinated Notes]
50. Redemption at the option of the Issuer: if yes:	[Yes/No]
(a) First Optional Redemption Date	[]
(b) Optional Redemption Date(s)	[]
(c) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s)	[]
(d) Minimum period of notice (if different to Condition 11.4)	[]
(e) If redeemable in part: Minimum Redemption Amount(s) Higher Redemption Amount(s)	[] []
(f) Approval(s) of Registrar of Banks	[Applicable/Not Applicable] [Note: only applicable where Notes are Subordinated Notes]
(g) Other terms applicable on Redemption	[]
51. Redemption at the option of the Noteholders: If yes:	[Yes/No] [Only applicable to Unsubordinated Notes]
(a) Optional Redemption Date(s)	[]
(b) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s)	[]
(c) Minimum period of notice (if different to Condition 11.7)	[]
(d) If redeemable in part: Minimum Redemption Amount(s) Higher Redemption Amount(s)	[] []
(e) Other terms applicable on Redemption	[]
(f) Attach <i>pro forma</i> put notice(s)	
52. Early Redemption Amount(s)	[]
(a) Early Redemption Amount (Regulatory)	[Principal Amount plus accrued interest (if any) to the date fixed for redemption]
(b) Early Redemption Amount (Tax)	[Principal Amount plus accrued interest (if any) to the date fixed for redemption]
(c) Early Termination Amount	[]
GENERAL	
53. Additional selling restrictions	[]

54. (a) International Securities Numbering (SIN)	[]
(b) Stock Code	[]
55. Financial Exchange	The Bond Exchange of South Africa Limited
56. Method of distribution	[]
57. If syndicated, names of Dealer(s)	
58. Receipts attached? If yes, number of Receipts attached	[Yes/No] []
59. Coupons attached? If yes, number of Coupons attached	[Yes/No] []
60. Rating assigned to Notes (if any)	[]
61. Stripping of Receipts and/or Coupons prohibited as provided in Condition 15.4?	[Yes/No]
62. Governing law (if the laws of South Africa are not applicable)	[]
63. Other Banking Jurisdiction	[]
64. Last Day to Register	[], which shall mean that the "Books Closed Period" (during which the Register will be closed) will be from each Last Day to Register to the applicable Payment Day until the date of redemption
65. Stabilisation Manager (if any)	[]
66. Pricing Methodology	[]
67. Authorised amount of the Programme	[]
68. Other provisions	[]

Responsibility

The Issuer accepts responsibility for the information contained in this Applicable Pricing Supplement.

Application is hereby made to list this Tranche of Notes on The Bond Exchange of South Africa Limited, as from **[insert date]**, pursuant to the Capitec Bank Limited ZAR2 000 000 000 Domestic Medium Term Note Programme.

CAPITEC BANK LIMITED

Issuer

By: _____
Director, duly authorised

By: _____
Director, duly authorised

Date: _____

Date: _____

PRO FORMA PRICING SUPPLEMENT OF THE TIER 1 NOTES

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Tier 1 Notes which is to be listed on BESA and/or held in the Central Securities Depository under the Global Certificate. The form of Pricing Supplement which will be completed for each Tranche of Tier 1 Notes which is to be listed on any Financial Exchange other than (or in addition to) BESA will, subject to the rules of that Financial Exchange and all Applicable Laws, be substantially in the form set out below, adapted, as applicable, to comply with the rules of that Financial Exchange and all Applicable Laws. The form of Pricing Supplement which will be completed for each Tranche of unlisted Tier 1 Notes will be substantially in the form set out below, adapted, as applicable, in such manner as is agreed by the Issuer and the Dealer(s).

Capitec Bank Limited

(Incorporated with limited liability in South Africa under registration number 1980/003695/06)

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

Under the Capitec Bank Limited ZAR2 000 000 000 Domestic Medium Term Note Programme

This document constitutes the Applicable Pricing Supplement relating to the issue of the Tranche of Notes described in this Pricing Supplement.

This Pricing Supplement must be read in conjunction with the Programme Memorandum issued by Capitec Bank Limited dated 25 April 2008, as amended or supplemented from time to time (the "**Programme Memorandum**"). To the extent that there is any conflict or inconsistency between the contents of this Pricing Supplement and the Programme Memorandum, the provisions of this Pricing Supplement shall prevail.

Any capitalised terms not defined in this Pricing Supplement shall have the meanings ascribed to them in the terms and conditions of the Tier 1 Notes set out in the Programme Memorandum under the section "*Terms and Conditions of the Tier 1 Notes*" (the "**Tier 1 Conditions**"). References to any Condition in this Pricing Supplement are to that Condition of the Tier 1 Conditions.

DESCRIPTION OF THE NOTES

1. Issuer	Capitec Bank Limited
2. Status of Notes	[Subordinated Notes: Tier 1]
3. (a) Tranche Number (b) Series Number	[] []
4. Aggregate Principal Amount	[]
5. Interest/Payment Basis	[Fixed Rate / Floating Rate / Mixed Rate /]
6. Form of Notes	[Registered Notes]
7. Security	[Secured] [Unsecured]
8. Automatic/Optional Conversion from one Interest/Payment Basis to another	[insert details including date for conversion]
9. Issue Date	[]
10. Business Centre	[]
11. Additional Business Centre	[]
12. Specified Denomination (Principal Amount per Note)	[]
13. Issue Price	[]
14. Interest Commencement Date	[]
15. Maturity Date	[]
16. Specified Currency	[]
17. Applicable Business Day Convention	[Floating Rate Business Day/Following Business Day/Modified Following Business

	Day/Preceding Business Day/other convention – insert details]
18. Calculation Agent	[]
19. Specified Office of the Calculation Agent	[]
20. Paying Agent	[]
21. Specified Office of the Paying Agent	[]
22. Transfer Agent	[]
23. Specified Office of the Transfer Agent	[]
24. Final Redemption Amount	[]
FIXED RATE NOTES	
25. (a) Fixed Interest Rate	[] percent, per annum
(b) Interest Payment Date(s)	[Dates/Periods]
(c) Initial Broken Amount	[]
(d) Final Broken Amount	[]
(e) Any other terms relating to the particular method of calculating interest	[]
FLOATING RATE NOTES	
26. (a) Interest Payment Date(s)	[Dates/Periods]
(b) Interest Period(s)	[]
(c) Definitions of Business Day (if different from that set out in Condition 1)	[]
(d) Minimum Interest Rate	[] percent
(e) Maximum Interest Rate	[] percent
(f) Other terms relating to the method of calculating interest (e.g., Day Count Fraction, rounding up provision, if different from Condition 9)	[]
27. Manner in which the Interest Rate is to be determined	[ISDA Determination/Screen Rate Determination/other (insert details)]
28. Margin	[(+/-) • percent to be added to/subtracted from the relevant (ISDA Rate/Reference Rate)]
29. If ISDA Determination	
(a) Floating Rate	[]
(b) Floating Rate Option	[]
(c) Designated Maturity	[]
(d) Reset Date(s)	[]
30. If Screen Determination	
(a) Reference Rate (including relevant period by reference to which the Interest Rate is to be calculated)	[e.g. ZAR-JIBAR-SAFEX]
(b) Interest Determination Date(s)	[]
(c) Relevant Screen Page and Reference Code	[]
31. If Interest Rate to be calculated otherwise than by reference the previous 2 sub-paragraphs, insert basis for determining Interest Rate/Margin/Fall back provisions	[]
32. If different from the Calculation Agent, agent responsible for calculating amount of principal and	[]

interest	
MIXED RATE NOTES	
33. Period(s) during which the interest rate for the Mixed Rate Notes will be (as applicable) that for:	[]
(a) Fixed Rate Notes	[]
(b) Floating Rate Notes	[]
(c) Indexed Notes	[]
(d) Other Notes	[]
OTHER TERMS	
	[]
ADDITIONAL CONDITIONS	[]
PROVISIONS REGARDING REDEMPTION MATURITY	
34. Prior consent of Registrar of Banks required for any redemption	Yes
35. Redemption at the option of the Issuer:	Yes
(a) First Optional Redemption Date	[]
(b) Optional Redemption Date(s)	[]
(c) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s)	[]
(d) Other terms applicable on Redemption	[]
36. Early Redemption Amount(s):	[]
(a) Early Redemption Amount (Regulatory)	[Principal Amount plus accrued interest (if any) to the date fixed for redemption]
(b) Early Redemption Amount (Tax)	[Principal Amount plus accrued interest (if any) to the date fixed for redemption]
GENERAL	
37. Additional selling restrictions	[]
38. (a) International Securities Numbering (SIN)	[]
(b) Stock Code	[]
39. Financial Exchange	The Bond Exchange of South Africa Limited
40. Method of distribution	[]
41. If syndicated, names of Dealer(s)	
42. Rating assigned to Notes (if any)	[]
43. Governing law (if the laws of South Africa are not applicable)	[]
44. Other Banking Jurisdiction	[]
45. Last Day to Register	[], which shall mean that the "Books Closed Period" (during which the Register will be closed) will be from each Last Day to Register to the applicable Payment Day until the date of redemption
46. Stabilisation Manager (if any)	[]
47. Pricing Methodology	[]
48. Authorised amount of the Programme	[]
49. Other provisions	[]

Responsibility

The Issuer accepts responsibility for the information contained in this Applicable Pricing Supplement.

Application is hereby made to list this Tranche of Notes on The Bond Exchange of South Africa Limited, as from [insert date], pursuant to the Capitec Bank Limited ZAR2 000 000 000 Domestic Medium Term Note Programme.

CAPITEC BANK LIMITED

Issuer

By: _____
Director, duly authorised

By: _____
Director, duly authorised

Date: _____

Date: _____

TERMS AND CONDITIONS OF THE UNSUBORDINATED NOTES, TIER 2 NOTES AND TIER 3 NOTES

The following is the text of the Terms and Conditions of the Unsubordinated Notes, the Tier 2 Notes and the Tier 3 Notes.

1. INTERPRETATION

- 1.1 **"Additional Conditions"** in relation to any issue of Subordinated Notes, the proceeds of which are intended by the Issuer to qualify as Secondary Capital or Tertiary Capital, as the case may be, 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 Subordinated Notes to qualify as Secondary Capital or Tertiary Capital, as the case may be, pursuant to the approval granted by the Registrar of Banks for the issue of such Subordinated Notes, as specified in the Applicable Pricing Supplement;
- 1.2 **"Agency Agreement"** the agreement concluded between the Issuer, the Paying Agent, the Calculation Agent and the Transfer Agent, or a separate agreement concluded between the Issuer and each of the Paying Agent, the Calculation Agent and the Transfer Agent, unless the Issuer itself acts in any of the abovementioned capacities;
- 1.3 **"Applicable Laws"** in relation to a person, all and any:
- 1.3.1 statutes and subordinate legislation;
- 1.3.2 regulations, ordinances and directives;
- 1.3.3 by-laws;
- 1.3.4 codes of practice, circulars, guidance notices, judgments and decisions of any competent authority; and
- 1.3.5 other similar provisions, from time to time;
- 1.4 **"Applicable Pricing Supplement"** in relation to a Tranche of Notes, the pricing supplement completed and signed by the Issuer in relation to the issue of that Tranche of Notes, setting out such additional and/or other terms and conditions as are applicable to that Tranche of Notes, based upon the *pro forma* pricing supplement which is set out in the section of the Programme Memorandum headed "*Pro Forma Pricing Supplement of the Unsubordinated Notes, Tier 2 Notes and Tier 3 Notes*";
- 1.5 **"Applicable Procedures"** the rules and operating procedures for the time being of the Central Securities Depository, Participants, BESA and/or any Financial Exchange;
- 1.6 **"Applicable Terms and Conditions"** in relation to a Tranche of Notes, the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement relating to that Tranche of Notes;
- 1.7 **"Arranger"** Investec Capital Markets;
- 1.8 **"Arrears of Interest"** has the meaning given in Condition 7.1 (*Deferral of interest payments on the Undated Tier 2 Notes*);

1.9	"Assets"	the total amount of the non consolidated gross assets of the Issuer as shown in the latest published audited non consolidated balance sheet of the Issuer, but adjusted for contingencies and subsequent events in such manner as the directors of the Issuer, the auditors of the Issuer or a liquidator, judicial manager, administrator or curator of the Issuer (if applicable) may determine;
1.10	"Banks Act"	the Banks Act, 1990;
1.11	"Bearer"	the person who is the bearer of a Bearer Certificate, as contemplated in the Bills of Exchange Act;
1.12	"Bearer Certificate"	a certificate which is a negotiable instrument and which represents (and embodies) a Bearer Note, as contemplated in the Bills of Exchange Act and, unless the context otherwise requires, the term " <i>Bearer Certificate</i> " shall include the Coupons and/or Receipts (if any) attached on issue to that certificate;
1.13	"Bearer Note"	a Note which is payable to bearer, as contemplated in the Bills of Exchange Act and, unless the context otherwise requires, the term " <i>Bearer Note</i> " shall include the rights to payment of interest and/or principal represented by and embodied in the Coupons and/or Receipts (if any) attached on issue to the Bearer Certificate representing and embodying such Bearer Note;
1.14	"Beneficial Interest"	in relation to a Tranche of Notes listed on BESA and/or lodged in the Central Securities Depository under the Global Certificate, the beneficial interest as co-owner of an undivided share in all of the Notes in that Tranche represented by a Global Certificate or (as the case may be) issued in uncertificated form, as contemplated in section 41(1) of the Securities Services Act;
1.15	"BESA"	The Bond Exchange of South Africa Limited, a duly licensed exchange in terms of the Securities Services Act, and any reference to "BESA" shall, whenever the context permits, be deemed to include any exchange which operates as a successor exchange to BESA;
1.16	"BESA Guarantee Fund"	the Guarantee Fund established by BESA and provided for in the Rules of BESA, as required by sections 9(1)(e) and 18(2)(x) of the Securities Services Act;
1.17	"Bills of Exchange Act"	the Bills of Exchange Act, 1964;
1.18	"Books Closed Period"	the period during which the Transfer Agent will not record any transfer of Notes in the Register, as specified in the Applicable Pricing Supplement;
1.19	"Business Day"	a day (other than a Saturday or Sunday or public holiday within the meaning of the Public Holidays Act, 1994) which is a day on which commercial banks settle ZAR payments in Johannesburg or any Additional Business Centre specified in the Applicable Pricing Supplement save that if the Specified Currency is not ZAR, " <i>Business Day</i> " shall mean a day (other than a Saturday or Sunday) which is a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the Specified Currency and in each (if any) Additional Business Centre, save further that if the Applicable Pricing Supplement so provides, " <i>Business Day</i> " shall include a Saturday;
1.20	"Calculation Agent"	the Issuer or, if the Issuer elects to appoint, in relation to one or more Tranche(s) of Notes or a Series of Notes,

		another entity as Calculation Agent, as contemplated in Condition 17 (<i>Transfer Agent, Calculation Agent and Paying Agent</i>), that other entity, as the case may be;
1.21	"Call Option"	has the meaning given in the Applicable Pricing Supplement;
1.22	"Capital Regulations"	at any time, the capital adequacy requirements set out in the Banks Act and the Regulations which are applicable to the Issuer (on a solo and/or consolidated basis), and all requirements, guidelines and policies from time to time of the Registrar of Banks relating to such capital adequacy requirements, whether or not such requirements, guidelines or policies have the force of law and whether they are applied generally or specifically to the Issuer (on a solo and/or consolidated basis);
1.23	"Capitec Group"	the Controlling Company, the Issuer and any of their respective wholly-owned subsidiaries;
1.24	"Central Securities Depository"	STRATE Limited (registration number 1998/022242/06), licensed as a central securities depository in terms of the Securities Services Act, and any reference to "Central Securities Depository" shall, whenever the context permits, be deemed to include any successor depository operating in terms of the Securities Services Act, and any additional or alternate depository approved by the Issuer and BESA;
1.25	"Central Securities Depository's Nominee"	any wholly owned subsidiary of the Central Securities Depository approved by the Registrar of Securities Services in terms of section 40 of the Securities Services Act, and any reference to "Central Securities Depository's Nominee" shall, whenever the context permits, be deemed to include a reference to its successor operating in terms of the Securities Services Act;
1.26	"Certificate"	a Global Certificate and/or an Individual Certificate, as the context may require;
1.27	"Companies Act"	the Companies Act, 1973;
1.28	"Controlling Company"	Capitec Bank Holdings Limited (registration number 1999/025903/06) or any other company which, after the Programme Date, becomes the " <i>controlling company</i> " (as defined in the Banks Act) of the Issuer, as the case may be;
1.29	"Coupon"	an interest coupon representing and embodying the right to an interest payment in respect of an interest bearing Bearer Note or Order Note, as the case may be, and which is attached on issue to the Bearer Certificate or the Order Certificate, as the case may be, representing and embodying such interest bearing Note;
1.30	"Dated Secondary Capital"	the proceeds of the issue of Dated Tier 2 Notes which proceeds qualify as Secondary Capital;
1.31	"Dated Subordinated Noteholder"	the Holder of a Dated Subordinated Note;
1.32	"Dated Subordinated Notes"	collectively, Tier 3 Notes and Dated Tier 2 Notes;
1.33	"Dated Tier 2 Capital Regulations"	Regulation 38(14)(b) of the Regulations and such other provisions of the Capital Regulations with which Dated Tier 2 Notes must comply in order for the proceeds of the issue of such Notes to qualify as Secondary Capital;

1.34	"Dated Tier 2 Noteholder"	the Holder of a Dated Tier 2 Note;
1.35	"Dated Tier 2 Notes"	Notes specified as such in the Applicable Pricing Supplement and complying with the Dated Tier 2 Capital Regulations;
1.36	"Dealer"	Investec Capital Markets and PSG Prime and/or any other additional Dealer appointed under the Programme from time to time pursuant to the Programme Agreement, which appointment may be for a specific issue of one or more Tranches of Notes or on an ongoing basis, subject to the Issuer's right to terminate the appointment of any Dealer;
1.37	"Deferral Notice"	has the meaning given in Condition 7.4 (<i>Deferral of principal and/or interest payments on the Tier 3 Notes</i>);
1.38	"Deferred Payment"	has the meaning given in Condition 7.4 (<i>Deferral of principal and/or interest payments on the Tier 3 Notes</i>);
1.39	"Deferred Payment Date"	has the meaning given in Condition 7.4 (<i>Deferral of principal and/or interest payments on the Tier 3 Notes</i>);
1.40	"Deposit"	A "deposit" as defined in the Banks Act;
1.41	"Depositor"	any person having a claim against the Issuer in respect of a Deposit;
1.42	"Early Redemption Amount (Regulatory)"	in respect of each Note in a Tranche of Subordinated Notes, its Principal Amount (or the relevant part thereof) plus accrued interest (if any) to the date fixed for redemption or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be;
1.43	"Early Redemption Amount (Tax)"	in respect of each Note in a Tranche of Notes (other than a Tranche of Zero Coupon Notes), its Principal Amount (or the relevant part thereof) plus accrued interest (if any) to the date fixed for redemption or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be, and, in respect of a Zero Coupon Note, the amount calculated in accordance with Condition 11.9 (<i>Early redemption of Zero Coupon Notes</i>) or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be;
1.44	"Early Termination Amount"	in respect of each Note in a Tranche of Notes (other than a Tranche of Zero Coupon Notes), its Principal Amount (or the relevant part thereof) plus accrued interest (if any) to the date fixed for redemption or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be, and, in respect of a Zero Coupon Note, the amount calculated in accordance with Condition 11.9 (<i>Early redemption of Zero Coupon Notes</i>) or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be;
1.45	"Eligible Capital"	the proceeds of the issue of Notes which proceeds qualify on issue for inclusion in the Primary Share Capital, Secondary Capital or Tertiary Capital, as the case may be, of the Issuer or the Controlling Company on a solo and/or consolidated basis, in accordance with the Capital Regulations;

1.46	"Encumbrance"	has the meaning given in Condition 6.3.1 (<i>Negative Pledge</i>);
1.47	"Endorsement"	an "indorsement" as contemplated in the Bills of Exchange Act;
1.48	"Endorsement in Blank"	an Endorsement which specifies no named Payee;
1.49	"Event of Default"	any of the events described in Condition 13 (<i>Events of Default</i>);
1.50	"Exchange Control Regulations"	the Exchange Control Regulations, 1961 promulgated pursuant to the Currency and Exchanges Act, 1933;
1.51	"Exchangeable Notes"	Notes which may be redeemed by the Issuer in the manner indicated in the Applicable Pricing Supplement by the delivery to the Noteholders of cash or of so many of the Exchange Securities as is determined in accordance with the Applicable Pricing Supplement;
1.52	"Exchange Period"	in respect of Exchangeable Notes to which the Noteholders' Exchange Right applies (as indicated in the Applicable Pricing Supplement), the period indicated in the Applicable Pricing Supplement during which such right may be exercised;
1.53	"Exchange Price"	the value indicated in the Applicable Pricing Supplement according to which the number of Exchange Securities which may be delivered on the redemption of an Exchangeable Note will be determined;
1.54	"Exchange Securities"	the securities indicated in the Applicable Pricing Supplement which may be delivered by the Issuer on the redemption of Exchangeable Notes to the value of the Exchange Price;
1.55	"Extraordinary Resolution"	a resolution passed at a properly constituted meeting of Noteholders or Noteholders of the relevant Series of Notes, as the case may be, by a majority consisting of not less than three-fourths of the votes cast at a poll by Noteholders or Noteholders of the relevant Series of Notes, as the case may be, present in person or by proxy;
1.56	"Final Redemption Amount"	in respect of any Note, its Principal Amount or the relevant unredeemed portion thereof, if any, or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement;
1.57	"Financial Exchange"	BESA or any other or additional exchange(s) on which any Notes may be listed;
1.58	"Financial Indebtedness"	has the meaning given in Condition 13.1 (<i>Events of Default relating to Unsubordinated Notes</i>);
1.59	"First Optional Redemption Date"	has the meaning given in the Applicable Pricing Supplement;
1.60	"Fixed Interest Rate"	the rate or rates of interest applicable to Fixed Rate Notes, as specified in the Applicable Pricing Supplement;
1.61	"Fixed Rate Notes"	Notes which will bear interest at the Fixed Interest Rate, as specified in the Applicable Pricing Supplement;
1.62	"Floating Rate Notes"	Notes which will bear interest at a floating Interest Rate, as specified in the Applicable Pricing Supplement;

1.63	"Global Certificate"	in relation to a Tranche of Notes listed on BESA and/or lodged in the Central Securities Depository, a single certificate in definitive registered form without interest coupons, deposited with and lodged in the Central Securities Depository and registered in the name of the Central Securities Depository's Nominee, representing all of the Notes in that Tranche (other than those Notes in that Tranche (if any) represented by Individual Certificates);
1.64	"Group Company"	any company within the Capitec Group;
1.65	"Implied Yield"	the yield accruing on the Issue Price of Zero Coupon Notes, as specified in the Applicable Pricing Supplement;
1.66	"Income Tax Act"	the Income Tax Act, 1962;
1.67	"Indebtedness"	has the meaning given in Condition 6.3.2 (<i>Negative Pledge</i>);
1.68	"Independent Investment Bank"	the independent investment bank or financial institution of international repute selected and appointed by the Issuer (at the Issuer's expense) for the purposes of performing one or more of the functions expressed to be performed by such independent investment bank or financial institution under the Terms and Conditions;
1.69	"Indexed Interest Notes"	Notes in respect of which the Interest Amount is calculated by reference to such index and/or formula as is specified in the Applicable Pricing Supplement;
1.70	"Indexed Note"	an Indexed Interest Note and/or an Indexed Redemption Amount Note, as applicable;
1.71	"Indexed Redemption Amount Notes"	Notes in respect of which the Final Redemption Amount is calculated by reference to an index and/or a formula, as specified in the Applicable Pricing Supplement;
1.72	"Individual Certificate"	(i) a single certificate in definitive registered form without interest coupons representing those Notes for which a Beneficial Interest has been exchanged in accordance with Condition 14.1 (<i>Exchange of Beneficial Interests</i>) or (ii) the single certificate in definitive registered form without interest coupons representing any other Registered Notes (excluding a Global Certificate), as the context requires;
1.73	"Instalment Amount"	the amount expressed as a percentage of the Principal Amount of an Instalment Note, being an instalment of principal (other than the final instalment) on an Instalment Note, as specified in the Applicable Pricing Supplement;
1.74	"Instalment Notes"	Notes redeemable in Instalment Amounts by the Issuer on an amortised basis on different Instalment Dates, as indicated in the Applicable Pricing Supplement;
1.75	"Interest Amount"	the amount of interest payable in respect of Fixed Rate Notes, Floating Rate Notes and Indexed Notes, as determined (unless otherwise specified in the Applicable Pricing Supplement) in accordance with Condition 8.1 (<i>Interest on Fixed Rate Notes</i>), Condition 8.2 (<i>Interest on Floating Rate Notes</i>) and Condition 8.4 (<i>Indexed Notes</i>) respectively;
1.76	"Interest Commencement Date"	the first date from which interest on the Notes, other than Zero Coupon Notes, will accrue, as specified in the Applicable Pricing Supplement;

1.77	"Interest Payment Date"	the date(s) specified as such in the Applicable Pricing Supplement, or if no such date(s) is/are specified in the Applicable Pricing Supplement, each date which occurs after a certain period following the preceding date upon which Interest Amounts are due and payable (such period as specified in the Applicable Pricing Supplement) or, in the case of the first Interest Payment Date, after the Interest Commencement Date;
1.78	"Interest Period"	the period(s) in respect of which interest accrues on Notes other than Zero Coupon Notes and falls due for payment on the applicable Interest Payment Date;
1.79	"Interest Rate"	the rate or rates of interest applicable to Notes other than Zero Coupon Notes and Fixed Rate Notes;
1.80	"Investec" and "Investec Capital Markets"	Investec Bank Limited (registration number 1969/004763/06), acting through its division, Investec Capital Markets;
1.81	"ISDA"	International Swaps and Derivatives Association, Inc.;
1.82	"ISDA Definitions"	the 2000 ISDA Definitions (Interest Rate and Currency Derivative Transactions) published by ISDA (as amended, supplemented, revised or republished from time to time);
1.83	"Issuer"	Capitec Bank Limited (registration number 1980/003695/06);
1.84	"Junior Securities"	in relation to Undated Tier 2 Notes, (i) the Ordinary Shares, (ii) any other securities issued by the Issuer the proceeds of which qualify as Primary Share Capital, (iii) any other securities issued by the Issuer ranking or expressed to rank junior as to payments with the Undated Tier 2 Notes, and/or (iv) any securities issued by the Issuer that benefit from a guarantee or support agreement from any other Group Company which ranks or is expressed to rank junior as to payments with the Undated Tier 2 Notes;
1.85	"Last Day to Register"	with respect to a particular Tranche of Notes (as reflected in the Applicable Pricing Supplement), the last date or dates preceding a Payment Day on which the Transfer Agent will accept Transfer Forms and record the transfer of Notes in that Tranche in the Register and whereafter the Register is closed for further transfers or entries until the Payment Day;
1.86	"Liabilities"	the total amount of the non consolidated gross liabilities of the Issuer as shown in the latest published audited non consolidated balance sheet of the Issuer, but adjusted for contingencies and subsequent events in such manner as the directors of the Issuer, the auditors of the Issuer or a liquidator, judicial manager, administrator or curator of the Issuer (if applicable) may determine;
1.87	"Mandatory Exchange"	If indicated in the Applicable Pricing Supplement, the obligation of the Issuer to redeem Exchangeable Notes on the Maturity Date by delivery of Exchange Securities to the relevant Noteholders of Exchangeable Notes;
1.88	"Mandatory Securities "	in relation to Undated Tier 2 Notes, any class of Junior Securities and/or Parity Securities (other than Junior Securities and/or Parity Securities issued by the Issuer the proceeds of which qualify as Primary Share Capital) the terms of which do not allow the Issuer to cancel, defer, pass or eliminate any distribution or dividend payment at its discretion;

1.89	"Material Subsidiary"	a subsidiary of the Issuer as defined in section 1(3) of the Companies Act, and which represents more than 10% of the total assets of the Issuer as reflected in the Issuer's most recent audited annual financial statements;
1.90	"Maturity Date"	has the meaning given in the Applicable Pricing Supplement;
1.91	"Maturity Period"	has the meaning given in the Applicable Pricing Supplement;
1.92	"Mixed Rate Notes"	Notes which will bear interest over respective periods at differing interest rates applicable to any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes, each as indicated in the Applicable Pricing Supplement and as more fully described in Condition 8.3 (<i>Mixed Rate Notes</i>);
1.93	"Noteholders"	the holders of the Registered Notes (as recorded in the Register) and/or the Bearers of the Bearer Notes and/or the Payees of the Order Notes; provided that, for purposes of the Ordinary Conditions, any reference to "Noteholder" shall, unless the context otherwise requires, exclude the holders of Tier 1 Notes;
1.94	"Noteholders' Exchange Right"	If indicated in the Applicable Pricing Supplement, the right of Noteholders of Exchangeable Notes to elect to receive delivery of the Exchange Securities <i>in lieu</i> of cash from the Issuer upon redemption of such Notes;
1.95	"Notes"	the notes of any kind issued or to be issued by the Issuer, under the Programme, pursuant to the Programme Memorandum; provided that, for purposes of the Ordinary Conditions, any reference to "Notes" shall, unless the context otherwise requires, exclude Tier 1 Notes;
1.96	"Optional Redemption Amount (Call)"	in respect of each Note in a Tranche of Notes (other than a Tranche of Zero Coupon Notes), its Principal Amount (or the relevant part thereof) plus accrued interest (if any) to the date fixed for redemption or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be, and, in respect of a Zero Coupon Note, the amount calculated in accordance with Condition 11.9 (<i>Early redemption of Zero Coupon Notes</i>) or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be;
1.97	"Optional Redemption Amount (Put)"	in respect of each Note in a Tranche of Unsubordinated Notes (other than a Tranche of Zero Coupon Notes), its Principal Amount plus accrued interest (if any) to the date fixed for redemption or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be, and, in respect of an Unsubordinated Zero Coupon Note, the amount calculated in accordance with Condition 11.9 (<i>Early redemption of Zero Coupon Notes</i>) or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be;
1.98	"Optional Redemption Date (Call)"	has the meaning given in the Applicable Pricing Supplement;
1.99	"Optional Redemption Date (Put)"	has the meaning given in the Applicable Pricing Supplement;

1.100	"Order Certificate"	a certificate which is a negotiable instrument and which represents (and embodies) an Order Note, as contemplated in the Bills of Exchange Act and, unless the context otherwise requires, the term "Order Certificate" shall include the Coupons and/or Receipts (if any) attached on issue to that certificate;
1.101	"Order Note"	a Note which is payable to order, as contemplated in the Bills of Exchange Act and, unless the context otherwise requires, the term "Order Note" shall include the rights to payment of interest and/or principal represented by and embodied in the Coupons and/or Receipts (if any) attached on issue to the Order Certificate representing and embodying such Order Note;
1.102	"Ordinary Resolution"	a resolution passed at a properly constituted meeting of Noteholders or Noteholders of the relevant Series of Notes, as the case may be, by a majority of the votes cast at a poll by Noteholders or Noteholders of the relevant Series of Notes, as the case may be, present in person or by proxy;
1.103	"Ordinary Shares"	the ordinary shares in the issued share capital of the Issuer;
1.104	"Outstanding"	all of the Notes issued under the Programme other than:
1.104.1		those which have been redeemed in full;
1.104.2		those in respect of which the date for redemption in accordance with the Ordinary Conditions or the Tier 1 Conditions, as the case may be, has occurred and the redemption monies (including all interest (if any) accrued thereon to the date for such redemption and any interest (if any) payable under the Ordinary Conditions or the Tier 1 Conditions, as the case may be, after such date) remain available for payment against surrender of Certificates (if any) or presentation and surrender of Order Certificates or Bearer Certificates, as the case may be;
1.104.3		those which have been purchased and cancelled as provided in Condition 11.11 (<i>Cancellation</i>) of the Ordinary Conditions and Condition 10.10 (<i>Cancellation</i>) of the Tier 1 Conditions;
1.104.4		those which have become prescribed under Condition 10 (<i>Prescription</i>) of the Ordinary Conditions and Condition 12 (<i>Prescription</i>) of the Tier 1 Conditions;
1.104.5		Notes represented by those mutilated or defaced Certificates which have been surrendered in exchange for replacement Certificates pursuant to Condition 14.4 (<i>Replacement of Certificates</i>) of the Ordinary Conditions and Condition 14.4 (<i>Replacement of Certificates</i>) of the Tier 1 Conditions;
1.104.6		(for the purpose only of determining how many Notes are Outstanding and without prejudice to their status for any other purpose) those Notes represented by Certificates alleged to have been lost, stolen or destroyed and in respect of which replacement Certificates have been issued pursuant to Condition 14.4 (<i>Replacement of Certificates</i>) of the Ordinary Conditions and Condition 14.4

(*Replacement of Certificate*) of the Tier 1 Conditions,

provided that for each of the following purposes, namely:

- (a) the right to attend and vote at any meeting of the Noteholders; and
- (b) the determination of how many and which Notes are for the time being Outstanding for the purposes of Conditions 19 (*Meetings of Noteholders*) and 20 (*Amendment of the Terms and Conditions*) of the Ordinary Conditions and Conditions 19 (*Meetings of Noteholders*) and 20 (*Amendment of the Terms and Conditions*) of the Tier 1 Conditions,

all:

- (i) Notes (if any) which are for the time being held by the Issuer (subject to any Applicable Law) or by any person for the benefit of the Issuer and not cancelled (unless and until ceasing to be so held); and
- (ii) Receipts and Coupons,

shall be deemed not to be Outstanding;

1.105	"Parity Securities"	in relation to Undated Tier 2 Notes, (i) any securities issued by the Issuer the proceeds of which qualify as Undated Secondary Capital, (ii) any other securities issued by the Issuer ranking or expressed to rank equally as to payments with the Undated Tier 2 Notes and/or (iii) any securities issued by the Issuer that benefit from a guarantee or support agreement from any other Group Company which ranks or is expressed to rank equally as to payments with the Undated Tier 2 Notes;
1.106	"Participant"	a person accepted by the Central Securities Depository as a participant in terms of the Securities Services Act, and who is approved by BESA, in terms of the rules of BESA, as a settlement agent to perform electronic settlement of funds and scrip;
1.107	"Partly Paid Notes"	Notes which are issued with the Issue Price partly paid and which Issue Price is paid up fully by the Noteholder in instalments (as indicated in the Applicable Pricing Supplement);
1.108	"Payee"	the person reflected as the payee on an Order Certificate or the person to whom such Order Certificate has been negotiated (by way of delivery and Endorsement), as the case may be, as contemplated in the Bills of Exchange Act;
1.109	"Paying Agent"	the Issuer or, if the Issuer elects to appoint, in relation to one or more Tranche(s) of Notes or Series of Notes, another entity as Paying Agent as contemplated in Condition 17 (<i>Transfer Agent, Calculation Agent and Paying Agent</i>), that other entity, as the case may be;
1.110	"Payment Day"	any day which is a Business Day and upon which a payment is due by the Issuer in respect of any Notes;
1.111	"Primary Share Capital"	<i>"primary share capital"</i> as defined in the Banks Act;

1.112	"Principal Amount"	in relation to each Note in a Tranche of Notes, the nominal amount of that Note, being the amount equivalent to the Specified Denomination specified in the Applicable Pricing Supplement;
1.113	"Programme"	Capitec Bank Limited ZAR2 000 000 000 Domestic Medium Term Note Programme under which the Issuer may from time to time issue Notes;
1.114	"Programme Agreement"	means the written agreement so entitled concluded between the Issuer, Investec and PSG Prime;
1.115	"Programme Amount"	the maximum aggregate Outstanding Principal Amount of all of the Notes that may be issued under the Programme at any one point in time, being ZAR2 000 000 000 or such increased amount as is determined by the Issuer from time to time subject to and in accordance with all Applicable Laws, the Programme Agreement, the requirements of BESA and/or any such other Financial Exchange(s) on which the Notes may be listed;
1.116	"Programme Date"	the date of this Programme Memorandum, being 25 April 2008;
1.117	"Programme Memorandum"	this document dated 25 April 2008, as amended and/or supplemented from time to time;
1.118	"PSG Prime"	PSG Prime (Proprietary) Limited (registration number 2002/014343/07);
1.119	"Put Option Notice"	a written notice which must be delivered to the Paying Agent by any Noteholder wanting to exercise a right to redeem an Unsubordinated Note at the option of the Noteholder;
1.120	"Receipt"	a receipt representing and embodying the right to payment of an Instalment Amount payable in respect of an Instalment Note which is a Bearer Note or an Order Note, as the case may be, and which is attached upon issue to the Bearer Certificate or the Order Certificate, as the case may be, representing and embodying such Instalment Note;
1.121	"Redemption Amount"	as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Early Redemption Amount (Regulatory), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Applicable Pricing Supplement;
1.122	"Redemption Date"	each date on which a Tranche of Notes is to be redeemed, partially or finally, as the case may be, in terms of the Applicable Terms and Conditions;
1.123	"Registrar of Banks"	the Registrar of Banks contemplated in the Banks Act;
1.124	"Register"	the register maintained by the Transfer Agent in terms of Condition 16 (<i>Register</i>);
1.125	"Registered Note"	a Note issued in registered form and transferable in accordance with Condition 15.1 (<i>Transfer of Registered Notes</i>);

1.126	"Regulations"	the " <i>Regulations Relating to Banks</i> " promulgated under the Banks Act as Government Notice No. R.3 and published in <i>Government Gazette</i> No. 30629 of 1 January 2008;
1.127	"Regulatory Change"	with respect to the Subordinated Notes of any Series, a change in, or amendment to, the Capital Regulations or any change in the application of or official or generally published guidance or interpretation of the Capital Regulations, which change or amendment becomes, or would become, effective on or after the Issue Date of the first Tranche of Notes of that Series;
1.128	"Regulatory Event"	with respect to the Subordinated Notes of any Series, the proceeds of the issue of which comprise a certain class of Eligible Capital on the Issue Date of the first Tranche of Subordinated Notes of that Series, an event which results in the proceeds of the issue of such Subordinated Notes, as a result of a Regulatory Change, no longer qualifying, or no longer being eligible to qualify, for inclusion in that class of Eligible Capital of the Issuer or the Controlling Company on a solo and/or consolidated basis (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital);
1.129	"Relevant Date"	in respect of any payment relating to the Notes, the date on which such payment first becomes due, except that, in relation to monies payable to the Central Securities Depository's Nominee in accordance with the Terms and Conditions, it means the first date on which: (i) the full amount of such monies has been received by the Central Securities Depository's Nominee, (ii) such monies are available for payment to the holders of Beneficial Interests, and (iii) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;
1.130	"relevant Interest Amount"	any Interest Amount due under the Notes in a Tranche in respect of any Interest Period;
1.131	"relevant Interest Payment Date"	(i) the Interest Payment Date on which the relevant Interest Amount becomes due and payable to the Noteholders or (ii) if (in relation to Undated Tier 2 Notes) the Issuer elects (or is obliged) to defer payment of the relevant Interest Amount in terms of Condition 7.1 (<i>Deferral of interest payments on the Undated Tier 2 Notes</i>), the Interest Payment Date on which, in the absence of such election (or obligation) to defer payment, the relevant Interest Amount would otherwise have become due and payable to the Noteholders, as the case may be;
1.132	"Representative"	a person duly authorised to act on behalf of a Noteholder, who may be regarded by the Issuer, the Transfer Agent and the Paying Agent (acting in good faith) as being duly authorised based upon the tacit or express representation thereof by such person, in the absence of express notice to the contrary from such Noteholder;
1.133	"SARB"	the South African Reserve Bank;
1.134	"Secondary Capital"	" <i>secondary capital</i> " as defined in the Banks Act;
1.135	"Securities Services Act"	the Securities Services Act, 2004;
1.136	"Senior Creditors"	means:
1.136.1		creditors of the Issuer who are unsubordinated creditors of the Issuer; and

1.136.2		creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors, whether subordinated or unsubordinated, of the Issuer other than those whose claims rank, or are expressed to rank, <i>pari passu</i> with, or junior to, (i) the claims of the Undated Tier 2 Noteholders (in the case of Undated Tier 2 Notes) or (ii) the claims of the Dated Tier 2 Noteholders (in the case of Dated Tier 2 Notes) or (iii) the claims of the Tier 3 Noteholders (in the case of Tier 3 Notes), as the case may be;
1.137	"Series"	a Tranche of Notes together with any other Tranche or Tranches of Notes which are: (i) expressed in the Applicable Pricing Supplement to be consolidated and form a single series; and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;
1.138	"Solvency Claims"	has the meaning given to it in Condition 5.4.5 (<i>Solvency Claims</i>);
1.139	"Solvency Condition"	has the meaning given to it in Condition 5.4.4 (<i>Solvency Condition</i>);
1.140	"Solvent Reconstruction"	the event where an order is made or an effective resolution is passed for the winding-up of the Issuer (other than under or in connection with a scheme of amalgamation or reconstruction) not involving a bankruptcy or insolvency and 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 an event where an arrangement with similar effect not involving bankruptcy or insolvency is implemented, as the case may be;
1.141	"South Africa"	the Republic of South Africa;
1.142	"Specified Currency"	has the meaning given in the Applicable Pricing Supplement;
1.143	"Specified Denomination"	has the meaning given in the Applicable Pricing Supplement;
1.144	"Specified Office"	in relation to each of the Issuer, the Calculation Agent, the Paying Agent and the Transfer Agent, the address of the office specified in respect of such entity at the end of the Programme Memorandum, or such other address as is notified by such entity (or, where applicable, a successor to such entity) to the Noteholders in accordance with the Terms and Conditions, as the case may be;
1.145	"Subordinated Debt"	in relation to Undated Tier 2 Notes, any subordinated term debt issued by the Issuer (including, without limitation, Dated Tier 2 Notes and Tier 3 Notes), the proceeds of which subordinated term debt qualify as Dated Secondary Capital or Tertiary Capital of the Issuer;
1.146	"Subordinated Notes"	Tier 3 Notes, Dated Tier 2 Notes, Undated Tier 2 Notes and Tier 1 Notes; provided that, for purposes of the Ordinary Conditions, any reference to "Subordinated Notes" shall, unless the context otherwise requires, exclude Tier 1 Notes;
1.147	"Substantial Part"	has the meaning given in Condition 13.1 (<i>Events of Default relating to Unsubordinated Notes</i>);

1.148	"Taxable Gain"	has the meaning given in Condition 12.4.2 (<i>Taxation</i>);
1.149	"Taxable Income"	has the meaning given in Condition 12.4.1 (<i>Taxation</i>);
1.150	"Tax Event"	an event where, as a result of a Tax Law Change, (i) the Issuer has paid or will pay or would on the next Interest Payment Date be required to pay additional amounts as provided or referred to in Condition 12 (<i>Taxation</i>); 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 will not be entitled to claim a deduction in respect of computing its taxation liabilities in South Africa, or such entitlement is materially reduced, and in each case the Issuer cannot avoid the foregoing by taking measures reasonably available to it (such reasonable measures to exclude any requirement to instigate litigation in respect of any decision or determination of the South African Revenue Service that any such interest does not constitute a tax deductible expense);
1.151	"Tax Law Change"	with respect to the Notes of any Series, a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of South Africa, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), whether or not having retrospective effect, which change or amendment is announced on or after the Issue Date of the first Tranche of Notes of that Series;
1.152	"Taxes"	all present and future taxes, levies, imposts, duties, charges, fees, deductions and withholdings imposed or levied by any governmental, fiscal or other competent authority in South Africa or any other jurisdiction from which any payment is made (and including any penalty payable in connection with any failure to pay, or delay in paying, any of the same) and " Tax " and " Taxation " shall be construed accordingly;
1.153	"Terms and Conditions" and "Ordinary Conditions"	the terms and conditions of the Unsubordinated, Tier 2 and Tier 3 Notes set out in this section of the Programme Memorandum headed " <i>Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes</i> ";
1.154	"Tertiary Capital"	<i>"tertiary capital"</i> as defined in the Banks Act;
1.155	"Tier 1 Capital Regulations"	Regulation 38(13) of the Regulations and such other provisions of the Capital Regulations with which Tier 1 Notes must comply in order for the proceeds of the issue of such Notes to qualify as Primary Share Capital;
1.156	"Tier 1 Conditions"	the terms and conditions of the Tier 1 Notes set out in the section of the Programme Memorandum headed " <i>Terms and Conditions of the Tier 1 Notes</i> ";
1.157	"Tier 1 Notes"	Notes specified as such in the Applicable Pricing Supplement (as defined in the Tier 1 Conditions) and complying with the Tier 1 Capital Regulations;
1.158	"Tier 2 Notes"	collectively the Dated Tier 2 Notes and the Undated Tier 2 Notes;

1.159	"Tier 3 Capital Regulations"	Regulation 38(16) of the Regulations and such other provisions of the Capital Regulations with which Tier 3 Notes must comply in order for the proceeds of the issue of such Notes to qualify as Tertiary Capital;
1.160	"Tier 3 Noteholder"	the holder of a Tier 3 Note;
1.161	"Tier 3 Notes"	Notes specified as such in the Applicable Pricing Supplement and complying with the Tier 3 Capital Regulations;
1.162	"Tranche" and "Tranche of Notes"	those Notes which are identical in all respects (including as to listing) and in respect of which the same Applicable Pricing Supplement applies;
1.163	"Transfer Agent"	Computershare Investor Services (Proprietary) Limited (registration number 2004/003647/07) or, if the Issuer elects to appoint, in relation to one or more Tranche(s) of Notes or Series of Notes, another entity as Transfer Agent as contemplated in Condition 17 (<i>Transfer Agent, Calculation Agent and Paying Agent</i>), that other entity, as the case may be;
1.164	"Transfer Form"	the written form for the transfer of a Note represented by a Certificate, in the usual form or in such other form as is approved by the Transfer Agent;
1.165	"Undated Secondary Capital"	the proceeds of the issue of Undated Tier 2 Notes which proceeds qualify as Secondary Capital;
1.166	"Undated Tier 2 Capital Regulations"	Regulation 38(14)(a) of the Regulations and such other provisions of the Capital Regulations with which Undated Tier 2 Notes must comply in order for the proceeds of the issue of such Notes to qualify as Secondary Capital;
1.167	"Undated Tier 2 Noteholder"	a holder of an Undated Tier 2 Note;
1.168	"Undated Tier 2 Notes"	Notes specified as such in the Applicable Pricing Supplement and complying with the Undated Tier 2 Capital Regulations;
1.169	"Unsubordinated Notes"	Notes issued with the status and characteristics set out in Condition 5.1 (<i>Status of the Unsubordinated Notes</i>) as specified in the Applicable Pricing Supplement;
1.170	"ZAR"	the lawful currency of South Africa, being South African Rand, or any successor currency;
1.171	"ZAR-JIBAR-SAFEX"	the mid-market rate for deposits in ZAR for a period of the Designated Maturity which appears on the Reuters Screen SAFEY Page as at 12h00, South African time, on the relevant date, or any successor rate; and
1.172	"Zero Coupon Notes"	Notes which will be offered and sold at a discount to their Principal Amount or at par and will not bear interest other than in the case of late payment.
1.173	In the Terms and Conditions, unless inconsistent with the context, any reference to:	
1.173.1	one gender include a reference to the others;	
1.173.2	the singular includes the plural and <i>vice versa</i> ;	
1.173.3	natural persons include juristic persons and <i>vice versa</i> ;	
1.173.4	a subsidiary or holding company shall be interpreted in accordance with section 1 of the Companies Act;	

- 1.173.5 any agreement or instrument is a reference to that agreement or instrument as amended, supplemented, varied, novated, restated or replaced from time to time, and amended or amendment will be construed accordingly;
- 1.173.6 a provision of law is a reference to that provision as amended or re-enacted, and includes any subordinate legislation;
- 1.173.7 a **regulation** includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, being of a type with which any person to which it applies is accustomed to comply) of any governmental, inter-governmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
- 1.173.8 disposal means a sale, transfer, grant, lease or other disposal (whether voluntary or involuntary);
- 1.173.9 an authorisation includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration or notarisation;
- 1.173.10 an Event of Default being continuing means that it has not been remedied or waived;
- 1.173.11 a Party or any other person includes that person's permitted successor, transferee, cessionary and/or delegate; and
- 1.173.12 a time of day is a reference to South African time.
- 1.174 If any provision in a definition is a substantive provision conferring rights or imposing obligations on any party, effect must be given to it as if it were a substantive provision in the body of the Terms and Conditions, notwithstanding that it is contained in this Condition 1.
- 1.175 Headings are inserted for the sake of convenience only and do not in any way affect the interpretation of the Terms and Conditions.
- 1.176 All references in the Terms and Conditions to any statute, regulation or other legislation (including, without limiting the generality of the foregoing, the Capital Regulations, the Applicable Laws and the Applicable Procedures) will be a reference to that statute, regulation or other legislation as at the Programme Date and as amended, re-enacted or replaced and substituted from time to time.
- 1.177 The use of the word **including** followed by specific examples will not be construed as limiting the meaning of the general wording preceding it, and the *eiusdem generis* rule must not be applied in the interpretation of such general wording or such specific examples.
- 1.178 The rule of construction that an agreement is to be interpreted against the party responsible for the drafting or preparation thereof must not be used in the interpretation of the Terms and Conditions.

2. ISSUE

- 2.1 Subject to the prior consent of the Registrar of Banks (to the extent required by Applicable Laws), the Issuer may, at any time and from time to time (without the consent of any Noteholder) issue one or more Tranche(s) of Notes pursuant to the Programme; provided that the aggregate Outstanding Principal Amount of all of the Notes issued under the Programme from time to time does not exceed the Programme Amount.
- 2.2 Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Applicable Terms and Conditions of that Tranche of Notes. The Applicable Terms and Conditions of a Tranche of Notes are the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement relating to that Tranche of Notes.
- 2.3 The Applicable Terms and Conditions of a Tranche of Notes are incorporated by reference into the Certificate(s) (if any) representing the Notes in that Tranche. The Applicable Pricing Supplement relating to a Tranche of Notes issued in certificated form will be attached to the Certificate(s) representing the Notes in that Tranche.

3. FORM AND DENOMINATION

3.1 General

- 3.1.1 Notes will be issued in the form of Registered Notes, Bearer Notes or Order Notes.

- 3.1.2 All payments in relation to the Notes will be made in the Specified Currency.
- 3.1.3 Each Note shall be an Unsubordinated Note or a Subordinated Note, as indicated in the Applicable Pricing Supplement.
- 3.1.4 Each Note, whether an Unsubordinated Note or a Subordinated Note (but subject, in the case of Subordinated Notes, to the Capital Regulations), may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Indexed Interest Note, a Partly Paid Note, an Instalment Note, an Indexed Redemption Amount Note, a Mixed Rate Note or such combination of any of the foregoing or such other type of Note as may be determined by the Issuer and specified in the Applicable Pricing Supplement. Subordinated Notes will, subject to the Banks Act and the Capital Regulations, comprise Tier 1 Notes, Undated Tier 2 Notes, Dated Tier 2 Notes or Tier 3 Notes.
- 3.1.5 Each Note will be issued in the Specified Denomination.
- 3.1.6 Listed and/or unlisted Notes may be issued under the Programme.

3.2 Registered Notes

Registered Notes will be issued in certificated form or in uncertificated form. Each Tranche of Notes which is listed on BESA, whether issued in certificated form or in uncertificated form, will be held in the Central Securities Depository. A Tranche of unlisted Notes may also be held in the Central Securities Depository.

3.2.1 *Notes issued in certificated form*

- 3.2.1.1 Each Tranche of unlisted Notes and each Tranche of Notes which is listed on BESA and/or lodged in the Central Securities Depository will be issued in certificated form. Each Tranche of Notes which is listed on BESA and lodged in the Central Securities Depository will be represented by a Global Certificate. Each Global Certificate will be deposited with and lodged in the Central Securities Depository.
- 3.2.1.2 All Notes issued in certificated form which are not represented by a Global Certificate will be represented by Individual Certificates.

3.2.2 *Notes issued in uncertificated form*

A Tranche of Notes which is listed on BESA may, subject to Applicable Laws, be issued in uncertificated form in terms of Section 37 of the Securities Services Act. Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Tranche of Notes represented by a Global Certificate may be replaced by uncertificated securities in terms of section 37 of the Securities Services Act.

3.2.3 *Beneficial Interests in Notes held in the Central Securities Depository*

- 3.2.3.1 A Tranche of Notes which is listed on BESA will either be issued in certificated form and lodged in the Central Securities Depository under the Global Certificate or be issued in uncertificated form and held in the Central Securities Depository. A Tranche of unlisted Notes may also be held in the Central Securities Depository under the Global Certificate.
- 3.2.3.2 The Central Securities Depository will hold each Tranche of Notes subject to the Securities Services Act and the Applicable Procedures.
- 3.2.3.3 All amounts to be paid and all rights to be exercised in respect of Notes held in the Central Securities Depository will be paid to and may be exercised only by the Central Securities Depository's Nominee for the holders of Beneficial Interests in such Notes.
- 3.2.3.4 A holder of a Beneficial Interest shall only be entitled to exchange such Beneficial Interest for Notes represented by an Individual Certificate in accordance with Condition 14.1 (*Exchange of Beneficial Interests*).

3.3 Bearer Notes and Order Notes

Bearer Notes will be embodied in, and represented by, Bearer Certificate(s). Order Notes will be embodied in, and represented by, Order Certificate(s). Bearer Notes or Order Notes, other than Zero Coupon Notes, may have Coupons and attached to the relevant Bearer Certificate or Order Certificate on issue. Instalment Notes which are Bearer Notes or Order Notes may have Receipts attached to the relevant Bearer Certificate or Order Certificate on issue.

4. TITLE

4.1 Registered Notes

4.1.1 *Notes issued in certificated form*

4.1.1.1 The Central Securities Depository's Nominee will be named in the Register as the registered holder of each Tranche of Notes which is represented by a Global Certificate.

4.1.1.2 Each holder of Notes represented by an Individual Certificate will be named in the Register as the registered holder of such Notes.

4.1.1.3 The Issuer, the Transfer Agent and the Paying Agent shall recognise a Noteholder as the sole and absolute owner of the Notes registered in that Noteholder's name in the Register (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust, express, implied or constructive, to which any Note may be subject.

4.1.1.4 Title to Notes represented by a Certificate will pass upon registration of transfer in the Register in accordance with Condition 15.1 (*Transfer of Registered Notes*).

4.1.2 *Notes issued in uncertificated form*

The Central Securities Depository's Nominee will be named in the Register as the registered holder of each Tranche of Notes which is issued in uncertificated form.

4.1.3 *Beneficial Interests in Notes held in the Central Securities Depository*

4.1.3.1 While a Tranche of Notes is held in its entirety in the Central Securities Depository, the Central Securities Depository's Nominee will be named in the Register as the sole Noteholder of the Notes in that Tranche.

4.1.3.2 Beneficial Interests which are held by Participants will be held directly through the Central Securities Depository, and the Central Securities Depository will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the Central Securities Depository for such Participants.

4.1.3.3 Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the Central Securities Depository only through their Participants.

4.1.3.4 In relation to each person shown in the records of the Central Securities Depository or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Principal Amount of Notes, a certificate or other document issued by the Central Securities Depository or the relevant Participant, as the case may be, as to the Principal Amount of such Notes standing to the account of such person shall be *prima facie* proof of such Beneficial Interest. The Central Securities Depository's Nominee (as the registered holder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that aggregate Principal Amount of such Notes for all purposes.

4.1.3.5 Beneficial Interests in Notes may be transferred only in accordance with the Applicable Procedures. Such transfers will not be recorded in the Register and the Central Securities Depository's Nominee will continue to be reflected in the Register as the registered holder of such Notes, notwithstanding such transfers.

4.1.3.6 Any reference in the Terms and Conditions to the relevant Participant shall, in respect of a Beneficial Interest, be a reference to the Participant appointed to act as such by the holder of such Beneficial Interest.

4.2 Bearer Notes

4.2.1 The Issuer, the Transfer Agent and the Paying Agent may deem and treat the Bearer of any Bearer

Certificate as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes. Title to Bearer Notes will pass by delivery of the relevant Bearer Certificate in accordance with Condition 15.2 (*Transfer of Bearer Notes*).

4.2.2 The disposal or acquisition of or dealing in Bearer Notes is subject to the prior written approval of the Minister of Finance (or a person authorised by the Minister of Finance) in accordance with regulation 15 of the Exchange Control Regulations.

4.3 Order Notes

4.3.1 The Issuer, the Transfer Agent and the Paying Agent may deem and treat the person who from the face of the Order Certificate appears to be the Payee thereof as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or notice of any previous loss or theft thereof) for all purposes and payment to such person or its Representative shall discharge the Issuer from all liability to the Payee in relation to such Order Certificate, even if such Endorsement has been forged or made without authority.

4.3.2 Title to Order Notes will pass by Endorsement and delivery of the relevant Order Certificate in accordance with Condition 15.3 (*Transfer of Order Notes*). An Order Certificate upon which the last Endorsement is an Endorsement in Blank shall be treated as a Bearer Certificate, for so long as not subject to further Endorsement.

4.3.3 Provided the Issuer pays any amount due upon presentation and surrender of an Order Certificate in good faith, it shall not be incumbent upon the Issuer or the Paying Agent to determine or prove that the Endorsement of the Payee making such Endorsement was made by or under the authority of the person whose Endorsement it purports to be.

5. STATUS

5.1 Status of the Unsubordinated Notes

5.1.1 *Application:* This Condition 5.1 applies only to Unsubordinated Notes.

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

5.2 Status of the Tier 3 Notes

5.2.1 *Application:* This Condition 5.2 applies only to Tier 3 Notes.

5.2.2 *Status of the Tier 3 Notes:* The Tier 3 Notes constitute direct, unsecured and, in accordance with Condition 5.2.3 (*Subordination*) below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and (save for those that have been accorded by law preferential rights) at least *pari passu* with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) *pari passu* with the Dated Subordinated Notes.

5.2.3 *Subordination:* The claims of Tier 3 Noteholders entitled to be paid amounts due in respect of the Tier 3 Notes are subordinated to the claims of Depositors and Senior Creditors and, accordingly, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation or is wound-up or placed under judicial management or curatorship (in each case other than pursuant to a Solvent Reconstruction):

- (a) no Tier 3 Noteholder shall be entitled to prove or tender to prove a claim in respect of the Tier 3 Notes;
- (b) no amount due under the Tier 3 Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which a Tier 3 Noteholder might otherwise have under the laws of any jurisdiction in respect of the Tier 3 Notes nor shall any amount due under the Tier 3 Notes be payable to any Tier 3 Noteholder; and
- (c) subject to Applicable Law, a Tier 3 Noteholder may not exercise or claim any right of set-off in respect of any amount in respect of the principal and/or interest on the Tier 3 Notes owed to it by the Issuer and each Tier 3 Noteholder shall, by virtue of its subscription, purchase or holding of

any Tier 3 Notes, be deemed to have waived all such rights of set-off and, to the extent that any set-off takes place, whether by operation of law or otherwise, between (a) any amount in respect of the principal and/or interest on the Tier 3 Notes owed by the Issuer to a Tier 3 Noteholder; and (b) any amount owed to the Issuer by such Tier 3 Noteholder, such Tier 3 Noteholder will immediately transfer such amount which is set-off to the Issuer or, in the event of its dissolution, winding-up, liquidation, judicial management or curatorship (as the case may be), the liquidator, administrator or other relevant insolvency official of the Issuer, to be held in trust for the Depositors and Senior Creditors,

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

5.3 Status of the Dated Tier 2 Notes

5.3.1 *Application:* This Condition 5.3 applies only to Dated Tier 2 Notes.

5.3.2 *Status of the Dated Tier 2 Notes:* The Dated Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5.3.3 (*Subordination*) below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and (save for those that have been accorded by law preferential rights) at least *pari passu* with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) *pari passu* with the Dated Subordinated Notes.

5.3.3 *Subordination:* The claims of Dated Tier 2 Noteholders entitled to be paid amounts due in respect of the Dated Tier 2 Notes are subordinated to the claims of Depositors and Senior Creditors and, accordingly, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, or is wound-up or placed under judicial management or curatorship (in each case other than pursuant to a Solvent Reconstruction):

- (a) no Dated Tier 2 Noteholder shall be entitled to prove or tender to prove a claim in respect of the Dated Tier 2 Notes;
- (b) no amount due under the Dated Tier 2 Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which a Dated Tier 2 Noteholder might otherwise have under the laws of any jurisdiction in respect of the Dated Tier 2 Notes nor shall any amount due under the Dated Tier 2 Notes be payable to any Dated Tier 2 Noteholder; and
- (c) subject to Applicable Law, a Dated Tier 2 Noteholder may not exercise or claim any right of set-off in respect of any amount in respect of the principal of and/or interest on the Dated Tier 2 Notes owed to it by the Issuer and each Dated Tier 2 Noteholder shall, by virtue of its subscription, purchase or holding of any Dated Tier 2 Notes, be deemed to have waived all such rights of set-off and, to the extent that any set-off takes place, whether by operation of law or otherwise, between (a) any amount in respect of the principal and/or interest on the Dated Tier 2 Notes owed by the Issuer to a Dated Tier 2 Noteholder; and (b) any amount owed to the Issuer by such Dated Tier 2 Noteholder, such Dated Tier 2 Noteholder will immediately transfer such amount which is set-off to the Issuer or, in the event of its dissolution, winding-up, liquidation, judicial management or curatorship (as the case may be), the liquidator, administrator or other relevant insolvency official of the Issuer, to be held in trust for the Depositors and Senior Creditors,

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

5.4 Status of the Undated Tier 2 Notes

5.4.1 *Application:* This Condition 5.4 applies only to Undated Tier 2 Notes.

5.4.2 *Status of the Undated Tier 2 Notes:* The Undated Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5.4.3 (*Subordination*) below, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and (save for those that have been accorded by law preferential rights) at least *pari passu* with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) *pari passu* with the Undated Tier 2 Notes.

5.4.3 *Subordination:* The claims of Undated Tier 2 Noteholders entitled to be paid amounts due in respect of the Undated Tier 2 Notes are subordinated to the claims of Depositors, Senior Creditors and the holders of Subordinated Debt and, accordingly, in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, or is wound-up or placed under judicial management or curatorship (other than pursuant to a Solvent Reconstruction):

- (a) no Undated Tier 2 Noteholder shall be entitled to prove or tender to prove a claim in respect of the Undated Tier 2 Notes;
- (b) no amount due under the Undated Tier 2 Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which an Undated Tier 2 Noteholder might otherwise have under the laws of any jurisdiction in respect of the Undated Tier 2 Notes nor shall any amount due under the Undated Tier 2 Notes be payable to any Undated Tier 2 Noteholder; and
- (c) subject to Applicable Law, an Undated Tier 2 Noteholder may not exercise or claim any right of set-off in respect of any amount in respect of the principal of and/or interest on the Undated Tier 2 Notes owed to it by the Issuer and each Undated Tier 2 Noteholder shall, by virtue of its subscription, purchase or holding of any Undated Tier 2 Notes, be deemed to have waived all such rights of set-off and, to the extent that any set-off takes place, whether by operation of law or otherwise, between (a) any amount in respect of the principal and/or interest on the Undated Tier 2 Notes owed by the Issuer to an Undated Tier 2 Noteholder; and (b) any amount owed to the Issuer by such Undated Tier 2 Noteholder, such Undated Tier 2 Noteholder will immediately transfer such amount which is set-off to the Issuer or, in the event of its dissolution, winding-up, liquidation, judicial management or curatorship (as the case may be), the liquidator, administrator or other relevant insolvency official of the Issuer, to be held in trust for the Depositors, Senior Creditors and holders of Subordinated Debt,

until the claims of Depositors, Senior Creditors and the holders of Subordinated Debt which are admissible in any such dissolution, liquidation, winding-up, judicial management or curatorship have been paid or discharged in full.

5.4.4 *Solvency Condition:* Payments in respect of the principal and interest (including payment of any Arrears of Interest and any additional amounts pursuant to Condition 12 (*Taxation*)) on the Undated Tier 2 Notes are, in addition to the right of the Issuer to defer payment of interest in accordance with Condition 7.1 (*Deferral of interest on the Undated Tier 2 Notes*), conditional upon the Issuer being solvent at the time of payment by the Issuer, and no principal or interest on the Undated Tier 2 Notes (including any Arrears of Interest) shall be due and payable in respect of the Undated Tier 2 Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For the purposes of this Condition 5.4, the Issuer shall be solvent if (1) it is able to pay its debts owed to Depositors, Senior Creditors and the holders of Subordinated Debt as they fall due and (2) its Assets exceed its Liabilities to Depositors, Senior Creditors and the holders of Subordinated Debt (the "**Solvency Condition**"). A report as to the solvency of the Issuer made by 2 directors of the Issuer or, if the Issuer is in liquidation, its liquidator or, if in judicial management, its judicial manager or, if under curatorship, its curator shall, in the absence of manifest error, be treated and accepted by the Issuer and the Noteholders as correct and sufficient evidence of such solvency.

5.4.5 *Solvency Claims:* Amounts representing any payments of principal or interest in respect of which the Solvency Condition is not satisfied on the date upon which the same would otherwise be due and payable ("**Solvency Claims**") will be payable by the Issuer (1) subject to Condition 5.4.3 (*Subordination*), in a winding-up, liquidation, judicial management or curatorship of the Issuer and (2) subject to satisfying the Solvency Condition, on any redemption pursuant to Condition 11.2 (*Redemption for tax reasons*), Condition 11.3 (*Redemption for regulatory reasons*) or Condition 11.4 (*Redemption at the option of the Issuer*) provided that in the event that, prior to any winding-up, liquidation, judicial management or curatorship of the Issuer, the Issuer shall again be solvent and would be solvent immediately after the making of such payment of Solvency Claims, then the Issuer shall promptly notify the Noteholders in accordance with Condition 18 (*Notices*), the Transfer Agent and the Paying Agent of such fact and the Solvency Claims shall, subject to satisfying the Solvency Condition, be due and payable on the 16th Business Day after the Issuer shall have given such notice. A Solvency Claim shall not bear interest unless and only so long as the Issuer shall be solvent once again, in which case interest shall accrue on any such Solvency Claim from (and including) the date on which the Issuer is so solvent again to (but excluding) the date on which such Solvency Claim is paid. Any such interest shall accrue at a rate equal to the then applicable rate of interest determined in accordance with Condition 8 (*Interest*). In the event that the Issuer shall be so solvent once again, the Issuer may not declare or pay any distribution or dividend or make any other payment on any Junior Securities and/or Parity Securities (*mutatis mutandis* in accordance with Condition 7.2(a) (*Restrictions following deferral of interest payments on Undated Tier 2 Notes*)) from the date that the Issuer is so solvent again until the date on which the Solvency Claim and any relevant interest on the Solvency Claim is paid.

For the avoidance of doubt, if the Issuer would otherwise not be solvent for the purposes of the above, any sums which would otherwise be payable in respect of the Undated Tier 2 Notes will be available to be put towards the losses of the Issuer.

5.5 Capital Regulations and Additional Conditions

In order for the proceeds of the issue of a Tranche of Notes to qualify as Secondary Capital or Tertiary Capital, as the case may be, that Tranche of Notes must comply with the applicable Capital Regulations (including the Additional Conditions (if any) prescribed by the Registrar of Banks in respect of that Tranche of Notes). The Issuer will specify in the Applicable Pricing Supplement whether any issue of a Tranche of Notes is an issue of Dated Tier 2 Notes or an issue of Undated Tier 2 Notes or an issue of Tier 3 Notes. The Additional Conditions (if any) prescribed by the Registrar of Banks in respect of any such Tranche of Notes will be specified in the Applicable Pricing Supplement or a supplement to the Programme Memorandum.

6. NEGATIVE PLEDGE

- 6.1 This Condition 6 shall apply only to Unsubordinated Notes. Subject to the remaining provisions of this Condition 6, after the Programme Date for as long as any Unsubordinated Notes remain Outstanding the Issuer undertakes not to, and will procure that any Material Subsidiary will not create, or permit the creation of, any Encumbrance over any of its present or future businesses, undertakings, assets or revenues to secure any present or future Indebtedness of the Issuer or any Material Subsidiary without at the same time securing the Unsubordinated Notes equally and rateably with such Indebtedness or providing such other security as may be approved by Extraordinary Resolution of the Noteholders of those Unsubordinated Notes. The Issuer shall be entitled but not obliged to form, or procure the formation of, a trust or trusts or appoint, or procure the appointment of, an agent or agents to hold any such rights of security for the benefit or on behalf of such Noteholders.
- 6.2 The provisions set out in Condition 6.1 shall not apply to:
- 6.2.1 any Encumbrance existing at the Programme Date; or
- 6.2.2 any Encumbrance created over any asset owned, acquired, developed or constructed by the Issuer or any Material Subsidiary, as the case may be, after the Programme Date if such Encumbrance was created for the sole purpose of financing or refinancing that asset by the Issuer or that Material Subsidiary, as the case may be; provided that the Indebtedness so secured shall not exceed the *bona fide* arm's length market value (on or about the date of creation of such Encumbrance) of that asset or the cost of the acquisition, development or construction of that asset by the Issuer or that Material Subsidiary, as the case may be, (including all interest and other finance charges, adjustments due to changes in circumstances and other charges reasonably incidental to such cost, whether contingent or otherwise) and where such market value and such cost both apply, the higher of the two;
- 6.2.3 any Encumbrance created over or with respect to any receivables of the Issuer or any Material Subsidiary, as the case may be, after the Programme Date, if such Encumbrance was created pursuant to any securitisation or like arrangement in accordance with normal market practice and the Indebtedness secured by such Encumbrance is limited to the value (on or about the date of creation of such Encumbrance) of such receivables;
- 6.2.4 any Encumbrance created over or with respect to any netting or set-off arrangement entered into by the Issuer or any Material Subsidiary, as the case may be, in the ordinary course of its banking arrangements for the purposes of netting credit and debit balances;
- 6.2.5 any Encumbrance created by operation of law in the ordinary course of the business of the Issuer or any Material Subsidiary, as the case may be;
- 6.2.6 any statutory Encumbrance;
- 6.2.7 any Encumbrance in favour of the South African Reserve Bank securing extensions of credit, for a duration of one Business Day, by it to the Issuer or any Material Subsidiary, as the case may be, in relation to ordinary short-term money market activities;
- 6.2.8 any Encumbrance over or affecting any asset acquired by the Issuer or any Material Subsidiary, as the case may be, after the Programme Date if:
- 6.2.8.1 the Encumbrance was not created in contemplation of the acquisition of that asset by the Issuer or that Material Subsidiary, as the case may be; and
- 6.2.8.2 the principal amount secured has not increased in contemplation of or since the acquisition of that asset by the Issuer or that Material Subsidiary, as the case may be.

- 6.2.9 any Encumbrance over or affecting any asset of any company which becomes a Material Subsidiary after the Programme Date where the Encumbrance is created prior to the date on which that company became a Material Subsidiary;
- 6.2.10 any Encumbrance arising in the ordinary course of trade of the Issuer or any Material Subsidiary, as the case may be, in relation to the sale and repurchase of securities;
- 6.2.11 any Encumbrance created over securities held in any clearing system which arises as a result of such securities being held in such clearing system as a result of the standard rules and regulations of such clearing system;
- 6.2.12 any Encumbrance over deposit accounts securing a loan to the Issuer or any Material Subsidiary, as the case may be, of funds equal to the amount standing to the credit of such deposit accounts;
- 6.2.13 any Encumbrance to secure inter-company Indebtedness incurred between the Issuer or any Material Subsidiary in compliance with the provisions of the Companies Act and the Banks Act provided that the holder of such Encumbrance may not cede or assign its rights in terms thereof to any person outside the Capitec Group;
- 6.2.14 any other Encumbrance, provided that the aggregate value of all of the assets of the Issuer or any Material Subsidiary, as the case may be, which is subject to such other Encumbrance does not, at any time, exceed 10% of the aggregate value of all of the assets of the Issuer or that Material Subsidiary, as the case may be, such value and such assets being determined by reference to the then most recent audited balance sheet of the Issuer or that Material Subsidiary, as the case may be, and, for purposes of this Condition 6.2.14, a report by the auditors of the Issuer that, in their opinion, (i) the amounts shown in a certificate provided by the Issuer (showing the assets of the relevant part and those assets expressed as a percentage of the total assets of the Issuer or that Material Subsidiary, as the case may be) have been correctly extracted from the accounting records of the Issuer or that Material Subsidiary, as the case may be, and (ii) the percentage of the assets of the relevant part to the total assets of the Issuer or that Material Subsidiary, as the case may be, has been correctly calculated shall, in the absence of manifest error, be *prima facie* evidence of the matters to which it relates;
- 6.2.15 any extension or renewal of any Encumbrance contemplated in Conditions 6.2.1 to 6.2.14 inclusive.
- 6.3 For purposes of this Condition 6:
- 6.3.1 "**Encumbrance**" means any mortgage, cession of rights, charge, lien, pledge, assignment, hypothecation, preferential right, or other security interest or arrangement creating real rights of security, but expressly excluding any guarantee, indemnity, suretyship or other arrangement creating personal rights of security;
- 6.3.2 "**Indebtedness**" means any indebtedness in respect of monies borrowed and guarantees given, whether present or future, actual or contingent.

7. DEFERRAL OF INTEREST AND PRINCIPAL PAYMENTS ON CERTAIN SUBORDINATED NOTES

- 7.1 *Deferral of interest payments on the Undated Tier 2 Notes:* This Condition 7.1 applies to Undated Tier 2 Notes only. Interest payments on the Undated Tier 2 Notes will be cumulative. The Issuer shall be obliged to pay the relevant Interest Amount on the relevant Interest Payment Date unless:
- 7.1.1 subject to Condition 7.3 (*Compulsory payment of interest*), the Issuer elects to defer payment of the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date;
- 7.1.2 the Issuer is in breach of either of the Capital Regulations or the Solvency Condition on the Business Day prior to the relevant Interest Payment Date or would be in breach of the Capital Regulations or the Solvency Condition if the relevant Interest Amount (or any portion thereof) were paid on the relevant Interest Payment Date; or
- 7.1.3 at any time the Registrar of Banks imposes a mandatory prohibition on the payment by the Issuer of interest.

If the Issuer elects to defer payment of the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date pursuant to the provisions of this Condition 7.1, it shall give notice of such election to defer payment to the Undated Tier 2 Noteholders in accordance with Condition 18 (*Notices*) and to the Paying Agent, no later than the fifth Business Day preceding the Last Day to Register applicable to the relevant Interest Payment Date (or such shorter notice period as may be required by the Capital Regulations). The Issuer will, prior to giving such notice, procure that all such steps are or will be taken as are necessary to

ensure that, on and following the relevant Interest Payment Date, effect is given to the restrictions set out in Condition 7.2 (*Restrictions following deferral of interest payments on Undated Tier 2 Notes*).

If the Issuer is obliged, pursuant to the provisions of this Condition 7.1, to defer payment of the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date, it shall give notice of such obligation to defer payment to the Undated Tier 2 Noteholders in accordance with Condition 18 (*Notices*) and to the Paying Agent and, if required by the applicable Capital Regulations, the Registrar of Banks.

If the Issuer elects (or is obliged) to defer payment of the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date in accordance with this Condition 7.1 then any failure to pay the relevant Interest Amount (or the relevant portion thereof) to the relevant Undated Tier 2 Noteholders on the relevant Interest Payment Date shall not constitute a default by the Issuer or any breach of the Applicable Terms and Conditions of or for any other purpose, and the relevant Undated Tier 2 Noteholders will have no claim of whatsoever nature in respect of any such non-payment.

Any interest in respect of the Undated Tier 2 Notes not paid on any Interest Payment Date, together with any other interest in respect thereof not paid on any other Interest Payment Date, shall, so long as the same remains unpaid, constitute "**Arrears of Interest**". Arrears of Interest may, at the option of the Issuer but subject to the restrictions of this Condition 7.1 and subject to Condition 5.3.3 (*Subordination*), be paid in whole or in part at any time upon the expiration of not less than 14 days' notice to such effect given to the Undated Tier 2 Noteholders in accordance with Condition 18 (*Notices*) and to the Paying Agent, but all Arrears of Interest in respect of Undated Tier 2 Notes for the time being outstanding shall (subject to the restrictions of this Condition 7.1 and subject to Condition 5.3.3 (*Subordination*)) become due in full on whichever is the earlier of (i) the date fixed for any repayment pursuant to Condition 11.2 (*Redemption for tax reasons*), Condition 11.3 (*Redemption for regulatory reasons*) or 11.4 (*Redemption at the option of the Issuer*), or (ii) the commencement of a winding-up (other than pursuant to a Solvent Reconstruction) of the Issuer. If notice is given by the Issuer of its intention to pay the whole or any part of any Arrears of Interest in respect of the Undated Tier 2 Notes, the Issuer shall be obliged (subject to the restrictions of this Condition 7.1 and subject to Condition 5.4.3 (*Subordination*)) to do so upon the expiration of such notice. Arrears of Interest shall not themselves bear interest.

- 7.2 *Restrictions following deferral of interest payments on Undated Tier 2 Notes:* If the Issuer elects (or is obliged) to defer payment of the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date pursuant to the provisions of Condition 7.1 (*Deferral of interest payments on the Undated Tier 2 Notes*), then from the relevant Interest Payment Date until the date on which the full amount of the Arrears of Interest has been received by the Undated Tier 2 Noteholders and is no longer outstanding and no other Arrears of Interest remain unpaid, the Issuer shall not (a) declare or pay any distribution or dividend or make any other payment on any Junior Securities and/or Parity Securities (other than (i) Mandatory Securities or (ii) any dividend which has been declared on any Junior Securities and/or Parity Securities before the date of receipt, by the Noteholders, of the notice given in respect of such election (or obligation) to defer payment of the relevant Interest Amount (or any portion thereof) pursuant to Condition 7.1 (*Deferral of interest payments on the Undated Tier 2 Notes*) or (iii) intra-group dividends on any Junior Securities and/or Parity Securities (other than any Junior Securities and/or Parity Securities issued by the Issuer the proceeds of which qualify as Primary Share Capital) between the Issuer and any other Group Company, which can be paid at any time), or (b) redeem, purchase, cancel, reduce or otherwise acquire any Junior Securities and/or Parity Securities.
- 7.3 *Compulsory payment of interest:* The Issuer shall not be permitted to exercise its right under Condition 7.1 (*Deferral of interest payments on the Undated Tier 2 Notes*) to defer payment of the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date (and shall be obliged to pay the relevant Interest Amount on the relevant Interest Payment Date) if on the relevant Interest Payment Date: (i) a Regulatory Event has occurred and is continuing (provided that a certificate signed by 2 authorised officers of the Issuer or a written confirmation from the Registrar of Banks, as the case may be, stating that a Regulatory Event has not occurred and is not continuing as at the relevant Interest Payment Date shall be sufficient evidence for the purposes of this Condition 7.3 that a Regulatory Event has not occurred and is not continuing as at the relevant Interest Payment Date and no Noteholders shall be entitled to dispute the contents of such certificate or confirmation, as the case may be) and (ii) the Issuer is (and will after payment of the relevant Interest Amount (or the relevant portion thereof) be) in compliance with the Capital Regulations and the Solvency Condition and (iii) the Registrar of Banks has not imposed a mandatory prohibition on the payment of interest, subject to those provisions of the Capital Regulations which allow or require, as the case may be, the Issuer to defer payment of the relevant Interest Amount (or any portion thereof) if, as a result of the occurrence of the Regulatory Event, the proceeds of the issue of the relevant Notes no longer qualify as Undated Secondary Capital but qualify as any other class of Eligible Capital.
- 7.4 *Deferral of principal and/or interest payments on the Tier 3 Notes:* This Condition 7.4 applies to Tier 3 Notes only. If the Issuer's qualifying capital falls below or is likely to fall below the minimum amount prescribed by the Capital Regulations and as a consequence of this event the Registrar of Banks, pursuant to the applicable Capital Regulations, requires the Issuer to defer the due date for payment of any principal (or any portion thereof) and/or any interest (or any portion thereof) payable in respect of any Tier 3 Notes (the

"Deferred Payment"), the Issuer shall, by notice in writing (a "Deferral Notice") to the Tier 3 Noteholders in accordance with Condition 18 (*Notices*) and to the Paying Agent, defer the due date for payment of the Deferred Payment, until such date (the "Deferred Payment Date"), and subject to such conditions, as are prescribed by the Registrar of Banks. On the giving of the Deferral Notice, the due date for payment of the Deferred Payment shall be deferred to the Deferred Payment Date, and the Issuer shall not be obliged to make payment of the Deferred Payment on the date upon which the Deferred Payment would otherwise have become due and payable, and such deferral of payment shall not constitute a default by the Issuer or any breach of the Applicable Terms and Conditions or for any other purpose and the Tier 3 Noteholders will have no claim of whatsoever nature in respect of any such Deferred Payment (save as set out below in this Condition 7.4). The Issuer may not give a Deferral Notice except where the Registrar of Banks so requires in accordance with the applicable Capital Regulations. Interest will continue to accrue on the outstanding amount of the Deferred Payment at the rate of interest applicable on the date upon which the Deferred Payment would otherwise have become due and payable, from and including such date to but excluding the Deferred Payment Date. All Deferred Payments (together with any interest accrued thereon) which remain unpaid shall become due and payable upon the earlier to occur of (i) the Deferred Payment Date, and (ii) the Issuer being placed into liquidation or wound-up (other than pursuant to a Solvent Reconstruction). When more than one Deferred Payment remains unpaid, any payment in part thereof shall be made *pro rata* according to the proportion which each such Deferred Payment bears to the aggregate of all such Deferred Payments.

8. INTEREST

8.1 Interest on Fixed Rate Notes

- 8.1.1 Unless otherwise specified in the Applicable Pricing Supplement, interest on Fixed Rate Notes will be paid on a 6-monthly basis, on the Interest Payment Dates.
- 8.1.2 Each Fixed Rate Note will bear interest on its Principal Amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date to (but excluding) the Redemption Date at the rate(s) per annum equal to the Fixed Interest Rate. Such interest shall fall due for payment in arrear on the Interest Payment Date(s) in each year and on the Redemption Date if such date does not fall on an Interest Payment Date. The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date.
- 8.1.3 The Calculation Agent will calculate the Interest Amount payable in respect of each Tranche of Fixed Rate Notes for each Interest Period. Unless stated otherwise in the Applicable Pricing Supplement, the Interest Amount for half yearly interest payments shall be calculated by multiplying the Interest Rate by the Principal Amount (or, if it is a Partly Paid Note, the amount paid up) of the Fixed Rate Note and then dividing such product by 2 (the resultant sum will be rounded to the nearest smallest denomination of the Specified Currency, half of any such denomination being rounded upwards), provided that:
- 8.1.3.1 if an Initial Broken Amount is specified in the Applicable Pricing Supplement, then the first Interest Amount shall equal such Initial Broken Amount; and
- 8.1.3.2 if a Final Broken Amount is specified in the Applicable Pricing Supplement, then the final Interest Amount shall equal such Final Broken Amount.

Save as provided in the preceding paragraphs of this Condition 8.1, if interest is required to be calculated for a period of other than one year (in the case of annual interest payments) or other than 6 months (in the case of semi-annual interest payments), as the case may be, such interest shall be calculated on the basis of the actual number of days (including the first day and excluding the last day) in such period divided by 365.

8.2 Interest on Floating Rate Notes

A. Interest Rate

The Interest Rate payable from time to time in respect of the Floating Rate Notes will be determined:

- (a) on the basis of ISDA Determination; or
- (b) on the basis of Screen Rate Determination; or
- (c) on such other basis as may be determined by the Issuer,

all as specified in the Applicable Pricing Supplement.

B. *ISDA Determination*

Where ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate for each Interest Period will be the relevant ISDA Rate (as defined below) plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any).

For the purposes of this Condition 8.2B:

"ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by such agent as is specified in the Applicable Pricing Supplement under a notional interest rate swap transaction if that agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

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

"Floating Rate", **"Floating Rate Option"**, **"Designated Maturity"** and **"Reset Date"** have the meanings given to those expressions in the ISDA Definitions.

When this Condition 8.2B applies, in respect of each Interest Period such agent as is specified in the Applicable Pricing Supplement will be deemed to have discharged its obligations under Condition 8.2F (*Determination of Interest Rate and calculation of Interest Amount*) in respect of the determination of the Interest Rate if it has determined the Interest Rate in respect of such Interest Period in the manner provided in this Condition 8.2B.

C. *Screen Rate Determination*

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

- (a) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (b) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.00005 being rounded upwards) of the offered quotations,

for the Reference Rate(s) which appears or appear as the case may be, on the Relevant Screen Page as at 12h00 (South African time) on the Interest Determination Date in question, plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If 5 or more such offered quotations are available on the Relevant Screen Page the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by such agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (a) above, no such offered quotation appears or, in the case of (b) above, fewer than 3 such offered quotations appear, in each case at the time specified in the preceding paragraph, the Calculation Agent shall request the principal Johannesburg office of each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 12h00 (South African time) on the Interest Determination Date in question. If 2 or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Interest Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.00005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If the Interest Rate cannot be determined by applying the provisions of the preceding paragraphs of this Condition 8.2C, the Interest Rate for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.00005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any 2 or more of them, at which such banks offered, at approximately 12h00 (South African time) on the relevant Interest Determination Date, in respect of deposits in an amount approximately equal to the Principal Amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, to Reference Banks in the Johannesburg inter-bank

market plus or minus (as appropriate) the Margin (if any). If fewer than 2 of the Reference Banks provide the Calculation Agent with such offered rates, the Interest Rate for the relevant Interest Period will be determined by the Calculation Agent as the arithmetic mean (rounded as provided above) of the rates for deposits in an amount approximately equal to the Principal Amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, quoted at approximately 12h00 (South African time) on the relevant Interest Determination Date, by 4 leading banks in Johannesburg (selected by the Calculation Agent and approved by the Issuer) plus or minus (as appropriate) the Margin (if any). If the Interest Rate cannot be determined in accordance with the foregoing provisions of this paragraph, the Interest Rate shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

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

"Reference Banks" means for the purposes of this Condition 8.2C 4 leading banks in the South African inter-bank market selected by the Calculation Agent and approved by the Issuer.

D. *Minimum and/or Maximum Interest Rate*

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

E. *Interest Payment Dates*

Each Floating Rate Note will bear interest on its Principal Amount (or, if it is a Partly Paid Note, on the amount paid up) from (and including) the Interest Commencement Date up to (but excluding) the Redemption Date at the rate equal to the Interest Rate. Such interest shall fall due for payment in arrears on the Interest Payment Date(s).

F. *Determination of Interest Rate and calculation of Interest Amount*

The Calculation Agent will, in the case of Floating Rate Notes, at or as soon as practicable after each time at which the Interest Rate is to be determined, determine the Interest Rate and calculate the Interest Amount for the relevant Interest Period. Unless stated otherwise in the Applicable Pricing Supplement, each Interest Amount shall be calculated by multiplying the Interest Rate by the Principal Amount (or, if it is a Partly Paid Note, on the amount paid up), then multiplying the product by the applicable Day Count Fraction and rounding the resultant product to the nearest smallest denomination of the Specified Currency, half of any such denomination being rounded upwards.

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

- (a) if **"Actual/365"** is specified in the Applicable Pricing Supplement, the actual number of elapsed days (including the first day and excluding the last day of such Interest Period) in the Interest Period divided by 365; or
- (b) such other calculation method as is specified in the Applicable Pricing Supplement.

G. *Notification of Interest Rate and Interest Amount*

The Calculation Agent (or such other agent as is specified in the Applicable Pricing Supplement) will cause the Interest Rate and each Interest Amount for each Interest Period to be notified to the Issuer, the Paying Agent, the Transfer Agent, the Noteholders in accordance with Condition 18 (*Notices*) and, if the relevant Notes are listed on BESA, BESA and the Central Securities Depository, as soon as possible after their determination but not later than the 4th Business Day thereafter. Each Interest Rate and Interest Amount so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the Issuer, the Paying Agent, the Transfer Agent, the Noteholders in accordance with Condition 18 (*Notices*) and, if the relevant Notes are listed on BESA, BESA and the Central Securities Depository.

H. *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given,

expressed, made or obtained for the purposes of the provisions of this Condition 8.2 by the Calculation Agent shall, in the absence of wilful deceit, bad faith, manifest error or dispute as set out hereunder, be binding on the Issuer, the Calculation Agent, and all Noteholders, and no liability to the Issuer or the Noteholders shall attach to the Transfer Agent, the Calculation Agent or the Paying Agent (as the case may be) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

8.3 **Mixed Rate Notes**

The Interest Rate payable from time to time on Mixed Rate Notes shall be the Interest Rate payable on any combination of Fixed Rate Notes, Floating Rate Notes or Indexed Notes for respective periods, each as specified in the Applicable Pricing Supplement. During each such applicable period, the interest rate on the Mixed Rate Notes shall be determined and fall due for payment on the basis that such Mixed Rate Notes are Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes, as the case may be.

8.4 **Indexed Notes**

In the case of Indexed Notes, if the Interest Rate or Final Redemption Amount falls to be determined by reference to an index and/or a formula, such rate or amount payable in respect of each Interest Period shall be determined in the manner specified in the Applicable Pricing Supplement. Any interest payable shall fall due for payment on the Interest Payment Date(s).

8.5 **Partly Paid Notes**

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

8.6 **Accrual of Interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date of its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the SAFEX Overnight Deposit Rate (to be found on the Reuters Screen SAFEY page as at 12h00 (South African time) on the presentation date, or any successor rate) until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) the date on which the full amount of the monies payable has been received by the Paying Agent and notice to that effect has been given to Noteholders in accordance with Condition 18 (*Notices*).

In the event that the SAFEX Overnight Deposit Rate is not ascertainable from the relevant screen page at the time contemplated above, the Calculation Agent shall follow the procedure contemplated in Condition 8.2C (*Screen Rate Determination*) to ascertain a rate.

8.7 **Business Day Convention**

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

- (a) the "**Floating Rate Business Day Convention**", such Interest Payment Date (or other date) shall in any case where Interest Periods are specified in accordance with Condition 8.2E (*Interest Payment Dates*), be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event: (i) such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day; and (ii) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Period in the Applicable Pricing Supplement after the preceding applicable Interest Payment Date (or other date) has occurred; or
- (b) the "**Following Business Day Convention**", such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (c) the "**Modified Following Business Day Convention**", such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other such date) shall be brought forward to the first preceding Business Day; or

- (d) the "**Preceding Business Day Convention**", such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day.

9. PAYMENTS

9.1 Registered Notes

- 9.1.1 Payments of interest and principal in respect of Notes represented by the Global Certificate and Notes issued in uncertificated form will be made to the Central Securities Depository's Nominee, as the registered holder of such Notes, which in turn will transfer such funds, via the Participants, to the holders of Beneficial Interests. Each of the persons reflected in the records of the Central Securities Depository or the relevant Participant, as the case may be, as the holders of Beneficial Interests in Notes shall look solely to the Central Securities Depository or the relevant Participant, as the case may be, for such persons share of each payment so made by the Issuer to, or for the order of, the Central Securities Depository's Nominee, as the registered holder of such Notes. The Issuer will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Beneficial Interests, or for maintaining, supervising or reviewing any records relating to Beneficial Interests. Payments of interest and principal in respect of Notes represented by the Global Certificate and Notes issued in uncertificated form shall be recorded by the Central Securities Depository's Nominee, as the registered holder of such Notes, distinguishing between interest and principal, and such record of payments by the Central Securities Depository's Nominee, as the registered holder of such Notes shall be *prima facie* proof of such payments.
- 9.1.2 Payments of interest and principal in respect of Notes represented by Individual Certificates shall be made to the person reflected as the registered holder of such Notes in the Register at 17h00 (South African time) on the Last Day to Register.

9.2 Bearer Notes

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

9.3 Order Notes

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

9.4 **Method of Payment**

- 9.4.1 Payments of interest and principal will be made in the Specified Currency by electronic funds transfer.
- 9.4.2 If the Issuer or (where applicable) the Paying Agent is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with Condition 9.1 (*Registered Notes*), Condition 9.2 (*Bearer Notes*) and/or Condition 9.3 (*Order Notes*) (whether by reason of strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of labour, Government interference or control or any other cause or contingency beyond the control of the Issuer), the Issuer shall make such payment by cheque (or by such number of cheques as may be required in accordance with applicable banking law and practice) to make payment of any such amounts. Such payments by cheque shall be sent by post to:
- (a) the address of the Noteholder of Registered Notes as set forth in the Register or, in the case of joint Noteholders of Registered Notes, the address set forth in the Register of that one of them who is first named in the Register in respect of that Note; or
 - (b) the address nominated by the Bearer in respect of Bearer Notes or the Payee in respect of Order Notes, as the case may be, against presentation and/or surrender of the relevant Bearer Certificate or Order Certificate, as the case may be, in accordance with Condition 9.2 (*Bearer Notes*) or Condition 9.3 (*Order Notes*), as the case may be.
- 9.4.3 Each such cheque shall be made payable to the relevant Noteholder or, in the case of joint Noteholders of Registered Notes, the first one of them named in the Register. Cheques may be posted by ordinary post, provided that neither the Issuer nor (where applicable) the Paying Agent shall be responsible for any loss in transmission and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all cheques posted in terms of this Condition 9.4.
- 9.4.4 In the case of joint Noteholders of Registered Notes payment by electronic funds transfer will be made to the account of the Noteholder first named in the Register. Payment by electronic transfer to the Noteholder first named in the Register shall discharge the Issuer of its payment obligations under the relevant Notes.
- 9.4.5 Payments will be subject in all cases to any taxation or other laws, directives and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 12 (*Taxation*).

9.5 **Surrender of Certificates, Bearer Certificates, Order Certificates and Coupons**

- 9.5.1 On or before the Last Day to Register prior to any Redemption Date of a Note issued in certificated form (including a Redemption Date relating to redemption in part), the holder of the Certificate representing such Note shall surrender such Certificate to the Transfer Agent, for endorsement or cancellation, as the case may be. In the case of the Global Certificates, redemptions in part will be handled in accordance with the Applicable Procedures.
- 9.5.2 Should the holder of a Certificate refuse or fail to surrender the Certificate for endorsement or cancellation on or before the Redemption Date, the amount payable to him in respect of the Notes represented by that Certificate, including any accrued interest, shall be retained by the Issuer for the Noteholder, at the latter's risk, until the Noteholder surrenders such Certificate, and interest in respect of such Notes shall cease to accrue to the Noteholder from the Redemption Date.
- 9.5.3 Payments of interest in respect of Bearer Notes or Order Notes, as the case may be, shall be made in accordance with Condition 9.4 (*Method of Payment*) only against presentation and surrender of the relevant Coupon to the Paying Agent or (in respect of interest bearing Bearer Notes or Order Notes, as the case may be, issued without Coupons) presentation of the relevant Bearer Certificate or Order Certificate, as the case may be, to the Paying Agent. Interest in respect of Bearer Notes or Order Notes, as the case may be, shall cease to accrue to the Noteholder from the Redemption Date.
- 9.5.4 Payments of Instalment Amounts in respect of Instalment Notes which are Bearer Notes or Order Notes, as the case may be, shall be made by the Issuer in accordance with Condition 9.4 (*Method of Payment*) only against presentation and surrender of the relevant Receipt to the Paying Agent. Interest on such Instalment Notes shall, in respect of the relevant Instalment Amount, cease to accrue to the Noteholder from the Redemption Date of that Instalment Amount.

- 9.5.5 No payment in respect of the final redemption of a Bearer Note or Order Note, as the case may be, shall be made until the later of (a) the Relevant Date and (b) the date on which the relevant Bearer Certificate or Order Certificate, as the case may be, has been presented and surrendered to the Paying Agent.
- 9.5.6 Upon final redemption as aforesaid, all unmatured Coupons relating to Bearer Notes or Order Notes, as the case may be, (whether or not surrendered with the relevant Bearer Certificate or Order Certificate, as the case may be) shall become void and no payment shall be made thereafter in respect of them.
- 9.5.7 Documents required to be presented and/or surrendered to the Transfer Agent or the Paying Agent, as the case may be, in accordance with the Terms and Conditions shall be so presented and/or surrendered at the Specified Office of the Transfer Agent or the Specified Office of the Paying Agent, as the case may be.

9.6 **Payment Day**

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

9.7 **Interpretation of principal and interest**

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

- 9.7.1 any additional amounts which may be payable with respect to principal under Condition 12 (*Taxation*);
- 9.7.2 the Final Redemption Amount or the Early Redemption Amount, as the case may be;
- 9.7.3 the Optional Redemption Amount(s) (if any);
- 9.7.4 in relation to Instalment Notes, the Instalment Amounts;
- 9.7.5 in relation to Zero Coupon Notes, the amount calculated in accordance with Condition 11.9 (*Early redemption of Zero Coupon Notes*); and
- 9.7.6 any premium and any other amounts which may be payable in respect of the Notes, but excluding interest.

Any reference in the Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 12 (*Taxation*).

10. **PRESCRIPTION**

The Notes (other than Bearer Notes and Order Notes) will become void unless presented for payment of principal and interest within a period of 3 years after the Relevant Date. Bearer Notes or Order Notes, as the case may be, will become void unless the relevant Bearer Certificate or Order Certificate, as the case may be, is presented and surrendered for payment of principal and interest within a period of 6 years after the Relevant Date.

11. **REDEMPTION AND PURCHASE**

11.1 **Scheduled redemption**

- 11.1.1 Subject to Condition 11.5 (*Redemption of Subordinated Notes*), unless previously redeemed, or purchased and cancelled, the Dated Tier 2 Notes, the Tier 3 Notes and the Unsubordinated Notes will be redeemed at the Final Redemption Amount on the Maturity Date, subject as provided in Condition 9 (*Payments*).
- 11.1.2 Undated Tier 2 Notes have no maturity date and may only be redeemed or purchased (subject to Condition 11.5 (*Redemption of Subordinated Notes*) and subject to compliance with the Solvency Condition and Condition 5.4.3 (*Subordination*)) and without prejudice to Condition 5.4.5 (*Solvency Claims*) or Condition 15.3 (*Events of Default relating to the Undated Tier 2 Notes*) in accordance with the provisions of this Condition 11.

11.2 Redemption for tax reasons

Any Series of Notes may, subject to Condition 11.5 (*Redemption of Subordinated Notes*) and, in the case of Undated Tier 2 Notes, the Issuer satisfying the Solvency Condition), be redeemed at the option of the Issuer in whole or, if so specified in the Applicable Pricing Supplement, in part, subject to the Issuer having given not less than 30 nor more than 60 days' notice to the Noteholders of such Notes (which notice shall be irrevocable) in accordance with Condition 18 (*Notices*) and to the Transfer Agent and the Paying Agent, on the date for redemption stipulated in such notice (which date shall be an Interest Payment Date if the relevant Notes are, at the time of redemption, subject to provisions applicable to Floating Rate Notes or Index-Linked Interest Notes, as the case may be, specified in the Applicable Pricing Supplement), at the Early Redemption Amount (Tax), if a Tax Event has occurred and is continuing, *provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (i) would be obliged to pay additional amounts in respect of such Notes in accordance with Condition 12 (*Taxation*) or (ii) would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities, as applicable.

Prior to the publication of any notice of redemption pursuant to this Condition 11.2, the Issuer shall deliver to the relevant Noteholders in accordance with Condition 18 (*Notices*) (A) a certificate signed by 2 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 (B) an opinion of independent advisers of recognised standing to the effect that a Tax Event has occurred.

11.3 Redemption for regulatory reasons

Any Series of Subordinated Notes may (subject to Condition 11.5 (*Redemption of Subordinated Notes*) and, in the case of Undated Tier 2 Notes, the Issuer satisfying the Solvency Condition) be redeemed at the option of the Issuer in whole or, if so specified in the Applicable Pricing Supplement, in part, subject to the Issuer having given not less than 30 nor more than 60 days notice to the Noteholders of such Notes (which notice shall be irrevocable) in accordance with Condition 18 (*Notices*) and to the Transfer Agent and the Paying Agent, on the date for redemption stipulated in such notice (which date shall be an Interest Payment Date if the relevant Notes are, at the time of redemption, subject to provisions applicable to Floating Rate Notes specified in the Applicable Pricing Supplement) at the Early Redemption Amount (Regulatory), if a Regulatory Event has occurred and is continuing.

Prior to the publication of any notice of redemption pursuant to this Condition 11.3, the Issuer shall deliver to the Noteholders in accordance with Condition 18 (*Notices*) (A) a certificate signed by 2 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 (B) 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 the relevant class of Eligible Capital of the Issuer on a solo and/or a consolidated basis, an opinion of independent advisers of recognised standing to the effect that a Regulatory Event has occurred.

11.4 Redemption at the option of the Issuer

If the Call Option is specified in the Applicable Pricing Supplement as being applicable, the Notes may (subject to Condition 11.5 (*Redemption of Subordinated Notes*) in the case of Subordinated Notes and, in the case of Undated Tier 2 Notes, the Issuer satisfying the Solvency Condition) be redeemed at the option of the Issuer in whole or, if so specified in the Applicable Pricing Supplement, in part on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call), subject to the Issuer having given not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 18 (*Notices*) and to the Transfer Agent and the Paying Agent.

11.5 Redemption of Subordinated Notes

Subject to, as applicable, Condition 11.2 (*Redemption for tax reasons*), Condition 11.3 (*Redemption for regulatory reasons*) or Condition 11.4 (*Redemption at the option of the Issuer*), Subordinated Notes may be redeemed, or purchased and cancelled, at the option of the Issuer only and provided that:

11.5.1 Dated Tier 2 Notes shall have a minimum Maturity Period of 5 years and one day;

11.5.2 Tier 3 Notes shall have a minimum Maturity Period of 2 years and one day;

11.5.3 Undated Tier 2 Notes may only be redeemed pursuant to Condition 11.7 (*Redemption at the option of the Issuer*) only after a minimum initial period of issue of 5 years from the Issue Date of such Notes; provided that in any case unless the Registrar of Banks determines that the Issuer is duly capitalised the Issuer may not redeem such Undated Tier 2 Notes unless such Undated Tier 2 Notes are replaced by the Issuer with instruments of similar or better quality;

11.5.4 the Issuer has, prior to the date scheduled for such redemption or purchase and cancellation, obtained the written approval of the same from the Registrar of Banks; and

11.5.5 such redemption is effected in accordance with the applicable Capital Regulations.

11.6 **Partial redemption**

If the Notes are to be redeemed in part only on any date in accordance with Condition 11.2 (*Redemption for tax reasons*) or Condition 11.3 (*Redemption for regulatory reasons*) or Condition 11.4 (*Redemption at the option of the Issuer*), as the case may be, each Note shall be redeemed in part in the proportion which the aggregate Principal Amount of the Outstanding Notes to be redeemed on the relevant date fixed for redemption of such Notes bears to the aggregate Principal Amount of all Outstanding Notes on the relevant date fixed for redemption of such Notes.

11.7 **Redemption at the option of Noteholders**

This Condition 11.7 applies only to Unsubordinated Notes. If the Put Option is specified in the Applicable Pricing Supplement as being applicable, the Issuer shall, at the option of the Noteholder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the Optional Redemption Amount (Put). In order to exercise the option contained in this Condition 11.7, the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), send the duly completed Put Option Notice (in the form obtainable from the Issuer) to the Issuer, with a copy thereof to the Transfer Agent and the Paying Agent. No Certificate representing such Notes which has been surrendered to the Transfer Agent in accordance with Condition 9.5 (*Surrender of Certificates, Bearer Certificates, Order Certificates and Coupons*) and no Bearer Certificate or Order Certificate representing and embodying such Notes which has been presented and surrendered to the Paying Agent in accordance with Condition 9.5 (*Surrender of Certificates, Bearer Certificates, Order Certificates and Coupons*) may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), such Notes become immediately due and payable or payment of the relevant redemption monies is improperly withheld or refused, such Certificate, Bearer Certificate or Order Certificate, as the case may be, shall, without prejudice to the exercise of the Put Option, be returned to the relevant Noteholder by uninsured mail (airmail if overseas) at the address specified by such Noteholder in the relevant Put Option Notice.

11.8 **No other redemption**

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in Condition 11.1 (*Scheduled redemption*) to Condition 11.6 (*Partial redemption*) inclusive.

11.9 **Early redemption of Zero Coupon Notes**

Unless otherwise specified in the Applicable Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

11.9.1 the Reference Price; and

11.9.2 the product of the Implied Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the Redemption Date.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period which is less than a full year shall be made on the basis of the Day Count Fraction specified in the Applicable Pricing Supplement for the purposes of this Condition 11.9 or, if none is so specified, a Day Count Fraction of Actual/365.

11.10 **Purchase**

Subject to Condition 11.5 (*Redemption of Subordinated Notes*) in the case of Subordinated Notes and, in the case of Undated Tier 2 Notes, subject to the Issuer satisfying the Solvency Condition, the Issuer or any of its subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

11.11 **Cancellation**

All Notes so redeemed or purchased by the Issuer may, at its option, be cancelled and may, if cancelled, not be reissued or resold.

12. TAXATION

- 12.1 All payments of principal and/or interest in respect of the Notes will be made without withholding or deduction for or on account of any Taxes, unless such withholding or deduction is required by Applicable Law.
- 12.2 The payment of any Taxes by the Issuer as an agent or representative taxpayer for a Noteholder shall not constitute a withholding or deduction for the purposes of this Condition 12.
- 12.3 If any such withholding or deduction in respect of Taxes being levied or imposed on interest and/or principal payments in respect of any Notes in a Tranche, the Issuer will, subject to the Issuer's right to redeem that Tranche of Notes (in whole or in part) in terms of Condition 11.2 (*Redemption for tax reasons*), pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders of such Notes after such withholding or deduction shall equal the respective amounts of principal and/or interest which would otherwise have been receivable in respect of such Notes in the absence of such withholding or deduction except that no such additional amounts shall be payable with respect to any Note:
- 12.3.1 held by or on behalf of a Noteholder who is liable for such Taxes in respect of such Note by reason of it having some connection with South Africa other than the mere holding of such Note or the receipt of payments of principal and/or interest in respect of such Note; or
- 12.3.2 held by or on behalf of a Noteholder which would not be liable for or subject to such withholding or deduction by complying with any statutory requirement or by making a declaration of non-residency or other similar claim for exemption to the relevant tax authority; or
- 12.3.3 where such withholding or deduction is in respect of Taxes levied or imposed on interest and/or principal payments only by virtue of the inclusion of such payments in the Taxable Income or Taxable Gains of a Noteholder; or
- 12.3.4 where (in the case of any payment of principal and/or interest which is conditional on presentation and/or surrender of the relevant Certificate, Bearer Certificate or Order Certificate, as the case may be, in accordance with the Terms and Conditions) the relevant Certificate, Bearer Certificate or Order Certificate, as the case may be, is presented and/or surrendered for payment more than 30 days after the Relevant Date, except to the extent that a Noteholder would have been entitled to such additional amounts if it had presented and/or surrendered the relevant Certificate, Bearer Certificate or Order Certificate, as the case may be, for payment on such thirtieth day; or
- 12.3.5 if such withholding or deduction arises through the exercise by the revenue authorities of special powers in respect of tax defaulters; or
- 12.3.6 any combination of Condition 12.3.1 to Condition 12.3.6 inclusive.
- 12.4 For the purposes of this Condition 12:
- 12.4.1 "**Taxable Income**" means any "taxable income" as defined in section 1 of the Income Tax Act;
- 12.4.2 "**Taxable Gain**" means any "taxable capital gain" as defined in paragraph 1 of the Eighth Schedule to the Income Tax Act.

13. EVENTS OF DEFAULT

13.1 Events of Default relating to Unsubordinated Notes

This Condition 13.1 applies only to Unsubordinated Notes.

If any of the following events occurs and is continuing:

- 13.1.1 *Non-payment*: the Issuer fails to pay any amount of principal in respect of the Notes within 5 days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 10 days of the due date for payment thereof; or
- 13.1.2 *Breach of other obligations*: the Issuer fails to perform any of its other obligations under or in respect of the Notes and such failure remains unremedied for 30 consecutive days after written notice thereof from any Noteholder of Unsubordinated Notes has been received by the Issuer; or
- 13.1.3 *Cross-default of Issuer or Material Subsidiary*: the Issuer or any Material Subsidiary, as the case may be, fails to pay any Financial Indebtedness when due and payable or (as the case may be) within any

originally applicable grace period and such failure to pay continues for more than 30 consecutive days; or

- 13.1.4 *Unsatisfied judgment*: one or more judgment(s) or order(s) from which no further appeal is permissible under Applicable Law for the payment of any amount in excess of ZAR50 000 000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any Material Subsidiary, as the case may be, and such judgement(s) continue(s) unsatisfied (and is not dismissed or withdrawn) for a period of 30 consecutive days after the date(s) of such judgment(s) or, if later, the date(s) specified in such judgment(s) for payment; or
- 13.1.5 *Security enforced*: proceedings are initiated against the Issuer or any Material Subsidiary, as the case may be, such that a person takes possession of the whole or a Substantial Part of the undertaking, assets and revenues of the Issuer or that Material Subsidiary, as the case may be, or an execution or attachment or other process is levied, enforced upon, sued out or put in force against the whole or a Substantial Part of the undertaking, assets and revenues of the Issuer or that Material Subsidiary, as the case may be, and (i) such proceedings are not (or such execution, attachment or other process is not) withdrawn, or settled and satisfied, within 45 consecutive days or (ii) such proceedings are not (or such execution, attachment or other process is not) contested in good faith by the Issuer or that Material Subsidiary, as the case may be, within consecutive 45 days; or
- 13.1.6 *Winding-up*: an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer or any Material Subsidiary, as the case may be, whether voluntarily or compulsorily, (otherwise than (a) in the case of that Material Subsidiary, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent and (b) in the case of the Issuer, in respect of a Solvent Reconstruction); or
- 13.1.7 *Failure to take action*: 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 Applicable Terms and Conditions is not taken, fulfilled or done, or any such consent, licence, approval or authorisation is revoked, modified, withdrawn or withheld or ceases to remain in full force and effect, resulting in the Issuer being unable to perform any of its obligations under the Applicable Terms and Conditions; or
- 13.1.8 *Unlawfulness*: it is or becomes unlawful for the Issuer to perform or comply with any of the Applicable Terms and Conditions,

then any Unsubordinated Note may, by written notice from the Noteholder thereof to the Issuer, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality.

For purposes of this Condition 13.1:

- a) "**Financial Indebtedness**" means, in relation to the Issuer or the relevant Material Subsidiary, as the case may be, (i) any indebtedness of the Issuer or the relevant Material Subsidiary, as the case may be, in respect of moneys borrowed and (ii) any amount payable by the Issuer or the relevant Material Subsidiary, as the case may be, in terms of any guarantee, suretyship and/or indemnity given by the Issuer or the relevant Material Subsidiary, as the case may be, in respect of moneys borrowed by any person, and which (for purposes of sub-paragraphs (i) and (ii)), individually or in the aggregate, exceeds ZAR50 000 000 (or its equivalent in any other currency or currencies);
- b) "**Substantial Part**" means in relation to the Issuer or the relevant Material Subsidiary, as the case may be, an aggregate amount equal to or greater than 10% of the aggregate value of all of the assets of the Issuer or that Material Subsidiary, as the case may be, such value and such assets being determined by reference to the then most recent audited balance sheet of the Issuer or that Material Subsidiary, as the case may be, and, for purposes of this Condition 13.1, a report by the auditors of the Issuer that, in their opinion, (i) the amounts shown in a certificate provided by the Issuer (showing the assets of the relevant part and those assets expressed as a percentage of the total assets of the Issuer or that Material Subsidiary, as the case may be) have been correctly extracted from the accounting records of the Issuer or that Material Subsidiary, as the case may be, and (ii) the percentage of the assets of the relevant part to the total assets of the Issuer or that Material Subsidiary, as the case may be, has been correctly calculated shall, in the absence of manifest error, be *prima facie* evidence of the matters to which it relates.

13.2 Events of Default relating to Dated Subordinated Notes

This Condition 13.2 applies only to Dated Subordinated Notes.

- 13.2.1 If the Issuer fails to pay any amount of principal or interest in respect of the Dated Subordinated Notes

of a Series for a period of (in the case of principal) 5 days or more after the due date for payment thereof or (in the case of interest) 10 days or more after the due date for payment thereof (as the case may be), any Dated Subordinated Noteholder of that Series may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove a claim in any winding-up of the Issuer, but take no other action in respect of that failure to pay.

- 13.2.2 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), each Noteholder of Dated Subordinated Notes may, by written notice to the Issuer, declare the Notes of that Noteholder to be immediately due and payable, whereupon such Notes shall become immediately due and payable at the Early Termination Amount together with accrued interest (if any) (subject to Condition 5.2.3 (*Subordination*) in the case of Tier 3 Notes and Condition 5.3.3 (*Subordination*) in the case of Dated Tier 2 Notes) and Condition 11.5 (*Redemption of Subordinated Notes*) without further action or formality.
- 13.2.3 Without prejudice to Condition 13.2.1 or Condition 13.2.2, if the Issuer breaches any of its obligations under the Dated Subordinated Notes of a Series (other than any obligation in respect of the payment of principal or interest on such Notes) then each Noteholder of Dated Subordinated Notes of that Series 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 Dated Subordinated Notes sooner than the same would otherwise have been payable by it.

No payment shall be made on the Dated Subordinated Notes sooner than would otherwise have been payable, without the prior written approval of the Registrar of Banks.

13.3 Events of Default relating to Undated Tier 2 Notes

Notwithstanding any of the provisions below in this Condition 13.3, the right to institute winding-up proceedings is limited to circumstances where payment of principal or interest (as the case may be) has become due and payable. No principal, premium, interest or any other amount will be due unless the Solvency Condition is satisfied. Also, in the case of the payment of any interest, payment thereof will not be due if the Issuer has elected to defer payment of interest pursuant to Condition 7.1 (Deferral of interest payments on the Undated Tier 2 Notes) or the Issuer is prohibited from paying interest pursuant to Condition 7.1 (Deferral of interest payments on the Undated Tier 2 Notes).

This Condition 13.3 applies only to Undated Tier 2 Notes.

- 13.3.1 If the Issuer fails to pay any amount of principal or interest (or any other amount) in respect of the Undated Tier 2 Notes of a Series for a period of (in the case of principal) 5 days or more after the due date for payment thereof or (in the case of interest or any other amount) 10 days or more after the due date for payment thereof (as the case may be) each Noteholder of Undated Tier 2 Notes of that Series may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove a claim in any winding-up of the Issuer, but take no other action in respect of that failure to pay.
- 13.3.2 Without prejudice to Condition 13.3.1, if the Issuer breaches any of its obligations under the Undated Tier 2 Notes of a Series (other than any obligation in respect of the payment of principal or interest on such Notes) then each Noteholder of Undated Tier 2 Notes of that Series may, subject as provided below, 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 Undated Tier 2 Notes sooner than the same would otherwise have been payable by it.

14. EXCHANGE OF BENEFICIAL INTERESTS AND REPLACEMENT OF CERTIFICATES

14.1 Exchange of Beneficial Interests

- 14.1.1 The holder of a Beneficial Interest in Notes may, in terms of the Applicable Procedures and subject to section 44 of the Securities Services Act, by written notice to the holder's nominated Participant (or, if such holder is a Participant, the Central Securities Depository), request that such Beneficial Interest be exchanged for Notes in definitive form represented by an Individual Certificate (the "**Exchange Notice**"). The Exchange Notice shall specify the name, address and bank account details of the holder of the Beneficial Interest.
- 14.1.2 The holder's nominated Participant will, following receipt of the Exchange Notice, through the Central Securities Depository, notify the Transfer Agent that it is required to exchange such Beneficial Interest

for Notes represented by an Individual Certificate. The Transfer Agent will, as soon as is practicable but within 14 days after receiving such notice, in accordance with the Applicable Procedures, procure that an Individual Certificate is prepared, authenticated and made available for delivery, on a Business Day falling within the aforementioned 14 day period, to the holder of the Beneficial Interest at the Specified Office of the Transfer Agent; provided that joint holders of a Beneficial Interest shall be entitled to receive only one Individual Certificate in respect of that joint holding, and delivery to one of those joint holders shall be delivery to all of them.

- 14.1.3 In the case of the exchange of a Beneficial Interest in a Tranche of Notes which is lodged in the Central Securities Depository under a Global Certificate:
- 14.1.3.1 the Central Securities Depository's Nominee will surrender the relevant Global Note Certificate to the Transfer Agent at its Specified Office;
- 14.1.3.2 the Transfer Agent will, in accordance with the Applicable Procedures, procure the splitting of the relevant Global Certificate and the preparation of a new Global Certificate representing the balance of the Notes (if any) in the relevant Tranche still held by the Central Securities Depository;
- 14.1.3.3 the Issuer will, through its nominated Participant, procure that the new Global Certificate is deposited with and lodged in the Central Securities Depository and registered in the Register in the name of the Central Securities Depository's Nominee;
- 14.1.3.4 the original Global Certificate shall be cancelled and retained by the Transfer Agent.
- 14.1.4 In the case of the exchange of a Beneficial Interest in Notes issued in uncertificated form:
- 14.1.4.1 the Central Securities Depository's Nominee will surrender (through the Central Securities Depository system) such uncertificated Notes to the Transfer Agent at its Specified Office;
- 14.1.4.2 the Transfer Agent will obtain the release of such uncertificated Notes from the Central Securities Depository in accordance with the Applicable Procedures.
- 14.1.5 An Individual Certificate shall, in relation to a Beneficial Interest:
- 14.1.5.1 in a Tranche of Notes which is lodged in the Central Securities Depository under a Global Certificate, represent that number of Notes as have, in the aggregate, the same aggregate Principal Amount of Notes standing to the account of the holder of such Beneficial Interest; or
- 14.1.5.2 in any number of Notes issued in uncertificated form of a particular aggregate Principal Amount standing to the account of the holder thereof, represent that number of Notes of that aggregate Principal Amount,

as the case may be, and shall otherwise be in such form as may be agreed between the Issuer and the Transfer Agent; provided that if such aggregate Principal Amount is equivalent to a fraction of ZAR1 000 000 (or the equivalent thereof in the Specified Currency if the Specified Currency is not ZAR) or a fraction of any multiple thereof, such Individual Certificate shall be issued in accordance with, and be governed by, the Applicable Procedures.

14.2 **Costs**

The costs and expenses of the printing, issue and delivery of each Global Certificate shall be borne by the Issuer. The costs and expenses of the printing, issue and delivery of each Individual Certificate and all taxes and governmental charges that may be imposed in relation to such Individual Certificate and/or the printing, issue and delivery of such Individual Certificate shall be borne by the holder of the Notes represented by that Individual Certificate. The costs and expenses of the printing, issue and delivery of Bearer Certificates and Order Certificates, and any Receipts and/or Coupons, shall be borne by the Issuer, save as otherwise provided in the Applicable Pricing Supplement. Separate costs and expenses relating to the provision of Individual Certificates and/or the transfer of Notes may be levied by other persons, such as a Participant, under the Applicable Procedures, and such costs and expenses shall not be borne by the Issuer. The costs and expenses of the delivery of Individual Certificates, Bearer Certificates, Order Certificates, Receipts and/or Coupons otherwise than by ordinary post and, if the Issuer shall so require, taxes, governmental charges and/or insurance charges that may be imposed in relation to such mode of delivery shall be borne by the Noteholder.

14.3 **Death and sequestration or liquidation of Noteholder**

Any person becoming entitled to Registered Notes in consequence of the death, sequestration or liquidation

of the holder of such Notes may upon producing such evidence that he holds the position in respect of which he proposes to act under this Condition 14.3 or of his title as the Issuer and the Transfer Agent shall require, be registered himself as the holder of such Notes or, subject to the requirements of the Applicable Procedures, this Condition 14.3 and Condition 15.1 (*Transfer of Registered Notes*), may transfer such Notes. The Issuer and the Paying Agent and (if applicable) the Central Securities Depository and the relevant Participant shall be entitled to retain any amount payable upon the Notes to which any person is so entitled until such person shall be registered as aforesaid or shall duly transfer the Notes.

14.4 Replacement of Certificates

If any Certificate is mutilated, defaced, stolen, destroyed or lost it may be replaced at the Specified Office of the Transfer Agent, on payment by the claimant of such costs and expenses as may be incurred in connection therewith and the provision of such indemnity as the Issuer and the Transfer Agent may reasonably require. Mutilated or defaced Certificates must be surrendered at the Specified Office of the Transfer Agent before replacements will be issued.

15. TRANSFER OF NOTES

15.1 Transfer of Registered Notes

15.1.1 *Transfer of Beneficial Interests in Notes held in the Central Securities Depository*

15.1.1.1 Beneficial Interests may be transferred only in terms of the Applicable Procedures through the Central Securities Depository.

15.1.1.2 Transfers of Beneficial Interests to and from clients of Participants occur by way of electronic book entry in the securities accounts maintained by the Participants for their clients, in accordance with the Applicable Procedures. Transfers of Beneficial Interests among Participants occur through electronic book entry in the central securities accounts maintained by the Central Securities Depository for the Participants, in accordance with the Applicable Procedures. Transfers of Beneficial Interests in Notes will not be recorded in the Register and the Central Securities Depository's Nominee will continue to be reflected in the Register as the Noteholder of such Notes notwithstanding such transfers.

15.1.2 *Transfer of Notes represented by Certificates*

15.1.2.1 In order for any transfer of Notes represented by a Certificate to be recorded in the Register and for such transfer to be recognised by the Issuer:

15.1.2.1.1 each transfer of a Note represented by a Certificate must be embodied in a Transfer Form;

15.1.2.1.2 the Transfer Form must be signed by the registered Noteholder and the transferee, or any authorised representative of that registered Noteholder and/or transferee;

15.1.2.1.3 each transfer of a Note represented by a Certificate shall only be in the Specified Denomination or any multiple thereof and consequently the Issuer will not recognise any fraction of the Specified Denomination; and

15.1.2.1.4 the Transfer Form must be delivered to the Transfer Agent at its Specified Office together with the relevant Certificate for cancellation.

15.1.3 Notes represented by a Certificate may be transferred in whole or in part in amounts of not less than the Specified Denomination or any multiple thereof.

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

15.1.5 Before any transfer of Notes represented by a Certificate is registered in the Register, all relevant transfer taxes (if any) must have been paid by the transferor and/or the transferee and such evidence must be furnished as the Issuer and the Transfer Agent may reasonably require as to the identity and title of the transferor and the transferee.

15.1.6 Subject to this Condition 15.1, the Transfer Agent will, within 3 Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any Applicable Laws and/or Applicable Procedures), record the transfer of Notes represented by a Certificate in the Register, and authenticate and deliver to the transferee at the Transfer Agent's Specified Office (at the risk of the transferee) a new Certificate in respect of the Notes transferred.

- 15.1.7 Where a Noteholder has transferred part only of his holding of Notes represented by a Certificate, the Transfer Agent will record the transfer of such Notes in the Register, and authenticate and deliver to such Noteholder at the Transfer Agent's Specified Office (at the risk of such Noteholder) a new Certificate in respect of the balance of the Notes held by such Noteholder.
- 15.1.8 If a transfer of any Notes represented by a Certificate is registered in the Register, the Transfer Form and cancelled Certificate will be retained by the Transfer Agent.
- 15.1.9 No transfer of Notes represented by a Certificate will be registered while the Register is closed.
- 15.1.10 In the event of a partial redemption of Notes, the Issuer and the Transfer Agent shall not be required to register the transfer of such Notes (or any portion of such Notes) during the period beginning on the tenth day before the relevant Redemption Date and ending on the relevant Redemption Date.

15.2 **Transfer of Bearer Notes**

Bearer Notes may be transferred only by the negotiation of the Bearer Certificate representing and embodying such Bearer Notes (by way of the delivery of such Bearer Certificate), as contemplated in the Bills of Exchange Act.

15.3 **Transfer of Order Notes**

Order Notes may be transferred only by the negotiation of the Order Certificate representing and embodying such Order Notes (by way of the Endorsement of such Order Certificate by the old Payee and the delivery of such Order Certificate to the new Payee), as contemplated in the Bills of Exchange Act.

15.4 **Prohibition on stripping**

Where so specified in the Applicable Pricing Supplement, Bearer Certificates or Order Certificates, as the case may be, which are issued with Receipts and/or Coupons attached shall be issued subject to the condition that the relevant Bearer Notes or Order Notes, as the case may be, may only be transferred to a single transferee at a time and, accordingly, that the various rights in respect of the relevant Bearer Notes or Order Notes, as the case may be, may not be stripped and transferred to various transferees at different times.

16. **REGISTER**

- 16.1 The Register shall be kept at the Specified Office of the Transfer Agent. The Register shall reflect the serial number of Certificates, Order Certificates and Bearer Certificates issued in respect of Notes Outstanding and whether they are Registered Notes, Bearer Notes or Order Notes. The Register shall contain the name, address, and bank account details of the Noteholders of Registered Notes. The Register shall set out the Principal Amount of the Notes issued to such Noteholders and shall show the date of such issue. The Register shall be open for inspection during the normal business hours of the Transfer Agent to any Noteholder or any person authorised in writing by any Noteholder. The Register shall be closed during the Books Closed Period. The Transfer Agent will only recognize, as registered holder of a Note represented by a Certificate, the Noteholder recorded as such in the Register at 17h00 (South African time) on the relevant Last Day to Register. The Issuer and the Transfer Agent shall not be bound to enter any trust into the Register or to take notice of any or to accede to any trust executed, whether express or implied, to which any Note may be subject.
- 16.2 The Transfer Agent shall alter the Register in respect of any change of name, address or bank account number of any of the Noteholders of any Registered Notes of which it is notified in accordance with the Agency Agreement provided that the Register will only be altered to reflect a transfer of Notes represented by Certificates if such transfer is carried out in accordance with Condition 15.1 (*Transfer of Registered Notes*).

17. **TRANSFER AGENT, CALCULATION AGENT AND PAYING AGENT**

- 17.1 The Issuer is entitled to vary or terminate the appointment of the Transfer Agent, the Calculation Agent and the Paying Agent and/or appoint additional or other agents and/or approve any change in the Specified Office through which any agent acts, provided that there will at all times be a Transfer Agent, a Calculation Agent and a Paying Agent with a Specified Office in such place as may be required by the Applicable Procedures. Any third party appointed by the Issuer as Transfer Agent, Paying Agent and Calculation Agent shall act solely as the agents of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with any Noteholders.
- 17.2 If the Issuer elects to appoint, in relation to one or more Tranche(s) of Notes or a Series of Notes, another entity as Calculation Agent or Paying Agent, as the case may be, that other entity, on execution of an Agency

Agreement, shall serve in that capacity in respect of those Notes.

- 17.3 To the extent that the Issuer acts as the Transfer Agent, Calculation Agent or Paying Agent, all references in the Terms and Conditions to:
- 17.3.1 any action, conduct or function in such role shall be understood to mean that the Issuer shall perform such action, conduct or function itself; and
- 17.3.2 requirements for consultation, indemnification by or of, payment by or to, delivery by or to, notice by or to, consent by or to or agreement between the Issuer and such Transfer Agent, Calculation Agent or Paying Agent (as the case may be) shall be disregarded to the extent that the Issuer performs such role.

18. NOTICES

- 18.1 All notices to be given to Noteholders of Registered Notes shall be sent by registered mail or delivered by hand to their addresses appearing in the Register. Any such notice shall be deemed to have been given on the 7th day after the day on which it is mailed and on the day of delivery if delivered. In the event of there being any Individual Certificates, Bearer Certificates and/or Order Certificates in issue, notices to such Noteholders shall be published: (i) in an English language daily newspaper of general circulation in South Africa; and (ii) for so long as any of the Notes are listed on BESA, a daily newspaper of general circulation in Johannesburg or on any electronic news service of general distribution, as the case may be, and any such notice shall be deemed to have been given on the date of first publication.
- 18.2 For so long as the Notes are held in their entirety by the Central Securities Depository, there may be substituted for publication as contemplated in Condition 18.1 the delivery of the relevant notice to the Central Securities Depository's Nominee (as the registered holder of such Notes), the Participants and BESA for communication by them to the holders of Beneficial Interests in such Notes, in accordance with the Applicable Procedures.
- 18.3 Subject to Condition 18.4, a notice to be given by any Noteholder to the Issuer shall be in writing and given by lodging (either by hand delivery or posting by registered mail) that notice, together with (if applicable) a certified copy of the relevant Individual Certificate, Bearer Certificate or Bearer Certificate, as the case may be, at the Specified Office of the Transfer Agent. Such notice shall be deemed to have been received by the Issuer, if delivered by hand, on the second Business Day after being hand delivered or, if sent by registered mail, 7 days after posting.
- 18.4 A notice to be given by any holder of a Beneficial Interest to the Issuer shall be in writing and given via such holder's Participant, in accordance with the Applicable Procedures, and in such manner as the Issuer and the relevant Participant may approve for this purpose.

19. MEETINGS OF NOTEHOLDERS

19.1 Directions of Noteholders

- 19.1.1 The provisions with regard to meetings of Noteholders are set out in this Condition 19.
- 19.1.2 Every director, the secretary of and the attorney to the Issuer and every other person authorised in writing by the Issuer, may attend and speak at a meeting of Noteholders, but will not be entitled to vote, other than as a Noteholder or proxy or duly authorised representative of a Noteholder.
- 19.1.3 A meeting of Noteholders will have power, in addition to all powers specifically conferred elsewhere in the Terms and Conditions:
- 19.1.3.1 by Ordinary Resolution of the Noteholders to give instructions to the Issuer in respect of any matter not covered by the Terms and Conditions (but without derogating from the powers or discretions expressly conferred upon the Issuer by the Terms and Conditions or imposing obligations on the Issuer not imposed or contemplated by the Terms and Conditions or otherwise conflicting with or inconsistent with the provisions of the Terms and Conditions);
- 19.1.3.2 by Extraordinary Resolution:
- 19.1.3.2.1 of the Noteholders to bind all of the Noteholders to any compromise or arrangement;
- 19.1.3.2.2 of a particular Series of Noteholders to agree to any variation or modification of any rights of that Series of Noteholders.

19.1.4 Unless otherwise specified, resolutions of Noteholders will require an Ordinary Resolution to be passed.

19.2 Convening of meetings

19.2.1 The Issuer may at any time convene a meeting of all Noteholders or separate meetings of holders of any Series of Notes (a "**meeting**" or the "**meeting**").

19.2.2 The Issuer will convene (i) a meeting of Noteholders upon the requisition in writing of Noteholders holding not less than 10% of the aggregate Principal Amount of all of the Notes Outstanding or (ii) a separate meeting of holders of any Series of Notes upon the requisition in writing of the Noteholders in that Series holding not less than 10% of the aggregate Principal Amount of the Notes Outstanding held by the holders of that Series, as the case may be (a "**requisition notice**").

19.2.3 Whenever the Issuer wishes to convene a meeting, it will forthwith give notice in writing to the Noteholders in the manner prescribed in Condition 18 (*Notices*) of the place, day and hour of the meeting, the nature of the business to be transacted at the meeting and the resolutions to be proposed and considered at the meeting.

19.2.4 All meetings of Noteholders will be held in South Africa.

19.3 Requisition

19.3.1 A requisition notice will state the nature of the business for which the meeting is to be held and the resolutions to be proposed and considered at the meeting and will be deposited at the Specified Office of the Issuer.

19.3.2 A requisition notice may consist of several documents in like form, each signed by one or more requisitionists.

19.4 Convening of meetings by requisitionists

If the Issuer does not convene a meeting to be held within 30 days of the deposit of a requisition notice, the requisitionists may themselves convene the meeting, but the meeting so convened will be held within 90 days from the date of such deposit and will be convened as nearly as possible in the same manner as that in which meetings may be convened by the Issuer. Whenever the requisitionists are about to so convene any such meeting, requisitionists shall forthwith give notice of the meeting to the Issuer.

19.5 Notice of meeting

19.5.1 Unless the holders of at least 90% of the aggregate Principal Amount of the Notes Outstanding or Series of Notes Outstanding, as the case may be, agree in writing to a shorter period, at least 21 days' written notice, specifying the place, day and time of the meeting, the nature of the business for which the meeting is to be held and the resolutions to be proposed and considered at the meeting, will be given to each Noteholder and to the Issuer if applicable.

19.5.2 The accidental omission to give such notice to any Noteholder or the Issuer, as the case may be, or the non-receipt of any such notice, will not invalidate the proceedings at a meeting.

19.6 Quorum

19.6.1 A quorum at a meeting shall:

19.6.1.1 for the purposes of considering an Ordinary Resolution, consist of Noteholders present in person or by proxy and holding in the aggregate not less than one-third of the aggregate Principal Amount of the Notes Outstanding or Series of Notes Outstanding, as the case may be;

19.6.1.2 for the purposes of considering an Extraordinary Resolution, consist of Noteholders present in person or by proxy and holding in the aggregate not less than a clear majority of the aggregate Principal Amount of the Notes Outstanding or Series of Notes Outstanding, as the case may be.

19.6.2 No business will be transacted at a meeting of the Noteholders unless a quorum is present at the time when the meeting proceeds to business.

19.6.3 If, within 15 minutes from the time appointed for the meeting, a quorum is not present, the meeting will, if it was convened on the requisition of Noteholders, be dissolved. In every other case the meeting will stand adjourned to the same day in the third week thereafter, at the same time and place, or if that day

is not a Business Day, the next succeeding Business Day. If at such adjourned meeting a quorum is not present the Noteholders present in person or by proxy will constitute a quorum for the purpose of considering any resolution, including a Extraordinary Resolution.

19.7 **Chairman**

The chairman of the meeting shall be appointed by the Issuer. If the Issuer or the person appointed by the Issuer to preside as chairman of the meeting is not present within 10 minutes of the time appointed for the holding of the meeting, the Noteholders then present will choose one of their own number to preside as chairman.

19.8 **Adjournment**

19.8.1 Subject to the provisions of this Condition 19, the chairman may, with the consent of, and will on the direction of, the meeting adjourn the meeting from time to time and from place to place.

19.8.2 No business will be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

19.8.3 At least 14 days' written notice of the place, day and time of an adjourned meeting will be given by the Issuer to each Noteholder. In the case of a meeting adjourned in terms of Condition 19.6.3, the notice will state that the Noteholders present in person or by proxy at the adjourned meeting will constitute a quorum.

19.9 **How questions are decided**

19.9.1 At a meeting, a resolution put to the vote will be decided on a poll.

19.9.2 In the case of an equality of votes, the chairman will not be entitled to a casting vote in addition to the vote, if any, to which he is entitled.

19.10 **Votes**

Voting shall only take place on a poll and not on a show of hands. On a poll every Noteholder, present in person or by proxy, will be entitled to that proportion of the total votes which the aggregate Principal Amount of the Notes Outstanding held by such Noteholder bears to the aggregate Principal Amount of all of the Notes Outstanding or Class of Notes, as the case may be. In relation to joint Noteholders, the vote may be exercised only by that Noteholder whose name appears first on the Register in the event that more than one of such Noteholders is present, in person or by proxy, at the meeting. The Central Securities Depository's Nominee (as the registered holder of Notes represented by a Global Certificate) shall vote at any such meeting on behalf of the holders of Beneficial Interests in such Notes in accordance with the instructions to the Central Securities Depository's Nominee from such holders conveyed through the Participants in accordance with the Applicable Procedures.

19.11 **Proxies and representatives**

19.11.1 Noteholders present either in person or by proxy may vote on a poll. A Noteholder may by an instrument in writing (a "**proxy form**") signed by the Noteholder (or his duly authorised agent) or, in the case of a juristic person, signed on its behalf by a duly authorised officer of the juristic person, appoint any person (a "**proxy**" or "**proxies**") to act on his or its behalf in connection with any meeting or proposed meeting.

19.11.2 A person appointed to act as proxy need not be a Noteholder.

19.11.3 The proxy form will be deposited at the Specified Office of the Issuer or at the Specified Office of the Transfer Agent, as the case may be, not less than 24 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such proxy proposes to vote.

19.11.4 No proxy form will be valid after the expiration of 6 months from the date named in it as the date of its execution.

19.11.5 Notwithstanding Condition 19.11.4, a proxy form will be valid for any adjourned meeting, unless the contrary is stated thereon. A vote given in accordance with the terms of a proxy form will be valid notwithstanding the previous death or incapacity of the principal or revocation or amendment of the proxy form or of any of the Noteholder's instructions pursuant to which the proxy form was executed or of the authority under which the proxy form was executed or the transfer of Notes in respect of which the proxy was given, provided that no intimation in writing of such death, incapacity, revocation or amendment shall have been received by the Issuer at its Specified Office or the Transfer Agent at its

Specified Office, as the case may be, more than, and that the transfer has been given effect to less than, 12 hours before the commencement of the meeting or adjourned meeting at which the proxy is to be used.

- 19.11.6 Any Noteholder which is a juristic person may authorise any person to act as its representative in connection with any meeting or proposed meeting of Noteholders by resolution of the directors or other governing body of the juristic person. Any reference in the Terms and Conditions to a Noteholder present in person includes the duly authorised representative of a Noteholder which is a juristic person.

19.12 Minutes

- 19.12.1 The Issuer will cause minutes of all resolutions and proceedings of meetings to be duly entered in the minute books of the Issuer.

- 19.12.2 Any such minutes as aforesaid, if purporting to be signed by the chairman of the meeting at which such resolutions were passed or proceedings held or by the chairman of the next succeeding meeting, will be receivable in evidence without any further proof, and until the contrary is proved, a meeting of Noteholders or Class of Noteholders, as the case may be, in respect of the proceedings of which minutes have been so made will be deemed to have been duly held and convened and all resolutions passed thereat, or proceedings held, to have been duly passed and held.

20. AMENDMENT OF THE TERMS AND CONDITIONS

- 20.1 The Issuer may effect, without the consent of any Noteholder, any amendment to the Terms and Conditions which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of South Africa.

- 20.2 Save as is provided in Condition 20.1, no amendment to the Terms and Conditions may be made unless such amendment is in writing and signed by or on behalf of the Issuer and such amendment is (i) approved by an Extraordinary Resolution of all of the Noteholders or the Noteholders of a particular Series of Notes, as the case may be, or (ii) is signed by or on behalf of Noteholders holding not less than 75% of the aggregate Outstanding Principal Amount of all of the Notes or of a particular Series of Notes, as the case may be. The Issuer will call a meeting of all of the Noteholders or a meeting of Noteholders of that Series of Notes, as the case may be. Such meeting or meetings will be regulated by the provisions set out in Condition 19 (*Meetings of Noteholders*).

- 20.3 Any amendment to the Terms and Conditions made in terms of this Condition 20 will be binding on all of the Noteholders or (as applicable) the Noteholders of a particular Series of Notes and such amendment will be notified to such Noteholders in accordance with Condition 18 (*Notices*) as soon as practicable thereafter.

21. FURTHER ISSUES

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

22. GOVERNING LAW

The provisions of the Programme Memorandum and, unless otherwise specified in the Applicable Pricing Supplement, the Notes and the Applicable Terms and Conditions, are governed by, and shall be construed in accordance with, the laws of South Africa in force from time to time.

TERMS AND CONDITIONS OF THE TIER 1 NOTES

The following is the text of the Terms and Conditions of the Tier 1 Notes.

1. INTERPRETATION

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

- | | | |
|-------|--|--|
| 1.1 | "Additional Conditions" | in relation to any issue of Subordinated Notes, the proceeds of which are intended by the Issuer to qualify as Primary Share Capital, 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 Subordinated Notes to qualify as Primary Share Capital, pursuant to the approval granted by the Registrar of Banks for the issue of such Subordinated Notes, as specified in the Applicable Pricing Supplement; |
| 1.2 | "Agency Agreement" | the agreement concluded between the Issuer, the Paying Agent, the Calculation Agent and the Transfer Agent, or a separate agreement concluded between the Issuer and each of the Paying Agent, the Calculation Agent and the Transfer Agent, unless the Issuer itself acts in any of the abovementioned capacities; |
| 1.3 | "Applicable Laws" | in relation to a person, all and any: |
| 1.3.1 | | Statutes and subordinate legislation; |
| 1.3.2 | | regulations, ordinances and directives; |
| | | by-laws; |
| 1.3.3 | | codes of practice, circulars, guidance notices, judgements and decisions of any competent authority; and |
| 1.3.4 | | other similar provisions, from time to time; |
| 1.4 | "Applicable Pricing Supplement" | in relation to a Tranche of Notes, the pricing supplement completed and signed by the Issuer in relation to the issue of that Tranche of Notes, setting out such additional and/or other terms and conditions as are applicable to that Tranche of Notes, based upon the <i>pro forma</i> pricing supplement which is set out in the section of the Programme Memorandum headed " <i>Pro Forma Pricing Supplement of the Tier 1 Notes</i> "; |
| 1.5 | "Applicable Procedures" | the rules and operating procedures for the time being of the Central Securities Depository, Participants, BESA and/or any Financial Exchange; |
| 1.6 | "Applicable Terms and Conditions" | in relation to a Tranche of Notes, the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement relating to that Tranche of Notes; |
| 1.7 | "Arranger" | Investec Capital Markets; |
| 1.8 | "Assets" | the total amount of the non consolidated gross assets of the Issuer as shown in the latest published audited non consolidated balance sheet of the Issuer, but adjusted for contingencies and subsequent events in such manner as the |

		directors of the Issuer, the auditors of the Issuer or a liquidator, judicial manager, administrator or curator of the Issuer (if applicable) may determine;
1.9	"Banks Act"	the Banks Act, 1990;
1.10	"Beneficial Interest"	in relation to a Tranche of Notes listed on BESA and/or lodged in the Central Securities Depository under the Global Certificate, the beneficial interest as co-owner of an undivided share in all of the Notes in that Tranche represented by a Global Certificate or (as the case may be) issued in uncertificated form, as contemplated in section 41(1) of the Securities Services Act;
1.11	"BESA"	The Bond Exchange of South Africa Limited, a duly licensed exchange in terms of the Securities Services Act, and any reference to "BESA" shall, whenever the context permits, be deemed to include any exchange which operates as a successor exchange to BESA;
1.12	"BESA Guarantee Fund"	the Guarantee Fund established by BESA and provided for in the Rules of BESA, as required by sections 9(1)(e) and 18(2)(x) of the Securities Services Act;
1.13	"Books Closed Period"	the period during which the Transfer Agent will not record any transfer of Notes in the Register, as specified in the Applicable Pricing Supplement;
1.14	"Business Day"	a day (other than a Saturday or Sunday or public holiday within the meaning of the Public Holidays Act, 1994) which is a day on which commercial banks settle ZAR payments in Johannesburg or any Additional Business Centre specified in the Applicable Pricing Supplement save that if the Specified Currency is not ZAR, " <i>Business Day</i> " shall mean a day (other than a Saturday or Sunday) which is a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the Specified Currency and in each (if any) Additional Business Centre, save further that if the Applicable Pricing Supplement so provides, " <i>Business Day</i> " shall include a Saturday;
1.15	"Calculation Agent"	the Issuer or, if the Issuer elects to appoint, in relation to one or more Tranche(s) of Notes or a Series of Notes, another entity as Calculation Agent, as contemplated in Condition 17 (<i>Transfer Agent, Calculation Agent and Paying Agent</i>), that other entity, as the case may be;
1.16	"Capital Disqualification Event"	is deemed to have occurred if (i) the proceeds of the issue of the Notes would no longer be eligible to qualify (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital) for inclusion in the Primary Share Capital or the Undated Secondary Capital of the Issuer on a solo and/or consolidated basis and (ii) the Registrar of Banks has confirmed to the Issuer that the proceeds of the issue of the Notes would not be eligible to qualify as Primary Share Capital or the Undated Secondary Capital of the Issuer on a solo and/or consolidated basis;
1.17	"Capital Regulations"	at any time, the capital adequacy requirements set out in the Banks Act and the Regulations which are applicable to the Issuer (on a solo and/or consolidated basis), and all requirements, guidelines and policies from time to time of the Registrar of Banks relating to such capital adequacy requirements, whether or not such requirements, guidelines or policies have the force of law and whether they are applied generally or specifically to the Issuer (on a solo and/or consolidated basis);

1.18	"Capitec Group"	the Controlling Company, the Issuer and any of their respective wholly-owned subsidiaries;
1.19	"Central Securities Depository"	STRATE Limited (registration number 1998/022242/06), licensed as a central securities depository in terms of the Securities Services Act, and any reference to "Central Securities Depository" shall, whenever the context permits, be deemed to include any successor depository operating in terms of the Securities Services Act, and any additional or alternate depository approved by the Issuer and BESA;
1.20	"Central Securities Depository's Nominee"	any wholly owned subsidiary of the Central Securities Depository approved by the Registrar of Securities Services in terms of section 40 of the Securities Services Act, and any reference to "Central Securities Depository's Nominee" shall, whenever the context permits, be deemed to include a reference to its successor operating in terms of the Securities Services Act;
1.21	"Certificate"	a Global Certificate and/or an Individual Certificate, as the context may require;
1.22	"Companies Act"	the Companies Act, 1973;
1.23	"Controlling Company"	Capitec Bank Holdings Limited (registration number 1999/025903/06) or any other company which, after the Programme Date, becomes the " <i>controlling company</i> " (as defined in the Banks Act) of the Issuer, as the case may be;
1.24	"Dealer"	Investec Capital Markets and PSG Prime and/or any other additional Dealer appointed under the Programme from time to time pursuant to the Programme Agreement, which appointment may be for a specific issue of one or more Tranches of Notes or on an ongoing basis, subject to the Issuer's right to terminate the appointment of any Dealer;
1.25	"Deposit"	a " <i>deposit</i> " as defined in the Banks Act;
1.26	"Depositor"	any Person having a claim against the Issuer in respect of a Deposit;
1.27	"Early Redemption Amount (Regulatory)"	in respect of each Note in a Tranche of Notes, its Principal Amount (or the relevant part thereof) plus accrued interest (if any) to the date fixed for redemption or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be;
1.28	"Early Redemption Amount (Tax)"	in respect of each Note in a Tranche of Notes, its Principal Amount (or the relevant part thereof) plus accrued interest (if any) to the date fixed for redemption or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be;
1.29	"Eligible Capital"	the proceeds of the issue of Notes which proceeds qualify on issue for inclusion in the Primary Share Capital, Secondary Capital or Tertiary Capital, as the case may be, of the Issuer or the Controlling Company on a solo and/or consolidated basis, in accordance with the Capital Regulations;
1.30	"Event of Default"	any of the events described in Condition 13 (<i>Events of Default</i>);
1.31	"Exchange Control Regulations"	the Exchange Control Regulations, 1961 promulgated pursuant to the Currency and Exchanges Act, 1933;
1.32	"Extraordinary Resolution"	a resolution passed at a properly constituted meeting of Noteholders or Noteholders of the relevant Series of Notes, as

		the case may be, by a majority consisting of not less than three-fourths of the votes cast at a poll by Noteholders or Noteholders of the relevant Series of Notes, as the case may be, present in person or by proxy;
1.33	"Final Redemption Amount"	in respect of any Note, its Principal Amount or the relevant unredeemed portion thereof, if any, or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement;
1.34	"Financial Exchange"	BESA or any other or additional exchange(s) on which any Notes may be listed;
1.35	"First Optional Redemption Date"	has the meaning given in the Applicable Pricing Supplement;
1.36	"Fixed Interest Rate"	the rate or rates of interest applicable to Fixed Rate Notes, as specified in the Applicable Pricing Supplement;
1.37	"Fixed Rate Notes"	Notes which will bear interest at the Fixed Interest Rate, as specified in the Applicable Pricing Supplement;
1.38	"Floating Rate Notes"	Notes which will bear interest at a floating Interest Rate, as specified in the Applicable Pricing Supplement;
1.39	"Global Certificate"	in relation to a Tranche of Notes listed on BESA and/or lodged in the Central Securities Depository, a single certificate in definitive registered form without interest coupons, deposited with and lodged in the Central Securities Depository and registered in the name of the Central Securities Depository's Nominee, representing all of the Notes in that Tranche (other than those Notes in that Tranche (if any) represented by Individual Certificates);
1.40	"Income Tax Act"	the Income Tax Act, 1962;
1.41	"Independent Investment Bank"	the independent investment bank or financial institution of international repute selected and appointed by the Issuer (at the Issuer's expense) for the purposes of performing one or more of the functions expressed to be performed by such independent investment bank or financial institution under the Terms and Conditions;
1.42	"Individual Certificate"	(i) a single certificate in definitive registered form without interest coupons representing those Notes for which a Beneficial Interest has been exchanged in accordance with Condition 14.1 (<i>Exchange of Beneficial Interests</i>) or (ii) the single certificate in definitive registered form without interest coupons representing any other Registered Notes (excluding a Global Certificate), as the context requires;
1.43	"Interest Amount"	the amount of interest payable in respect of Fixed Rate Notes and Floating Rate Notes, as determined (unless otherwise specified in the Applicable Pricing Supplement) in accordance with Condition 8.1 (<i>Interest on Fixed Rate Notes</i>) and Condition 8.2 (<i>Interest on Floating Rate Notes</i>) respectively;

1.44	"Interest Commencement Date"	the first date from which interest on the Notes will accrue, as specified in the Applicable Pricing Supplement;
1.45	"Interest Payment Date"	the date(s) specified as such in the Applicable Pricing Supplement, or if no such date(s) is/are specified in the Applicable Pricing Supplement, each date which occurs after a certain period following the preceding date upon which Interest Amounts are due and payable (such period as specified in the Applicable Pricing Supplement) or, in the case of the first Interest Payment Date, after the Interest Commencement Date;
1.46	"Interest Period"	the period(s) in respect of which interest accrues on Notes and falls due for payment on the applicable Interest Payment Date;
1.47	"Interest Rate"	the rate or rates of interest applicable to Notes other than Fixed Rate Notes;
1.48	"Investec" and "Investec Capital Markets"	Investec Bank Limited (registration number 1969/004763/06), acting through its division, Investec Capital Markets;
1.49	"ISDA"	International Swaps and Derivatives Association, Inc.;
1.50	"ISDA Definitions"	the 2000 ISDA Definitions (Interest Rate and Currency Derivative Transactions) as published by ISDA (as amended, supplemented, revised or republished from time to time);
1.51	"Issuer"	Capitec Bank Limited (registration number 1980/003695/06);
1.52	"Junior Securities"	(i) the Ordinary Shares, (ii) any other securities issued by the Issuer the proceeds of which qualify as Primary Share Capital, (iii) any other securities issued by the Issuer ranking or expressed to rank junior as to payments with the Notes, and/or (iv) any securities issued by the Issuer that benefit from a guarantee or support agreement from any other Group Company which ranks or is expressed to rank junior as to payments with the Notes;
1.53	"Last Day to Register"	with respect to a particular Tranche of Notes (as reflected in the Applicable Pricing Supplement), the last date or dates preceding a Payment Day on which the Transfer Agent will accept Transfer Forms and record the transfer of Notes in that Tranche in the Register and whereafter the Register is closed for further transfers or entries until the Payment Day;
1.54	"Liabilities"	the total amount of the non consolidated gross liabilities of the Issuer as shown in the latest published audited non consolidated balance sheet of the Issuer, but adjusted for contingencies and subsequent events in such manner as the directors of the Issuer, the auditors of the Issuer or a liquidator, judicial manager, administrator or curator of the Issuer (if applicable) may determine;
1.55	"Mandatory Securities"	any class of Junior Securities and/or Parity Securities (other than Junior Securities and/or Parity Securities issued by the Issuer the proceeds of which qualify as Primary Share Capital) the terms of which do not allow the Issuer to cancel, defer, pass or eliminate any distribution or dividend payment at its discretion;
1.56	"Maturity Date"	has the meaning given in the Applicable Pricing Supplement;

1.57	"Maturity Period"	has the meaning given in the Applicable Pricing Supplement;
1.58	"Non-Redeemable Non-Cumulative Preference Shares"	non-redeemable non-cumulative preference shares in the issued share capital of the Issuer;
1.59	"Noteholders"	the holders of the Registered Notes (as recorded in the Register); provided that, for purposes of the Tier 1 Conditions, any reference to "Noteholder" shall, unless the context otherwise requires, exclude the holders of Unsubordinated Notes and the holders of Subordinated Notes which are not Tier 1 Notes;
1.60	"Notes"	the notes of any kind issued or to be issued by the Issuer, under the Programme, pursuant to the Programme Memorandum; provided that, for purposes of the Tier 1 Conditions, any reference to "Notes" shall, unless the context otherwise requires, exclude Unsubordinated Notes and Subordinated Notes which are not Tier 1 Notes;
1.61	"Optional Redemption Amount"	in respect of each Note in a Tranche of Notes, its Principal Amount (or the relevant part thereof) plus accrued interest (if any) to the date fixed for redemption or such other amount as may be specified in, or determined in accordance with, the Applicable Pricing Supplement, as the case may be;
1.62	"Ordinary Conditions"	the terms and conditions of the Unsubordinated, Tier 2 and Tier 3 Notes set out in the section of the Programme Memorandum headed " <i>Terms and Conditions of the Unsubordinated, Tier 2 and Tier 3 Notes</i> ";
1.63	"Ordinary Resolution"	a resolution passed at a properly constituted meeting of Noteholders or Noteholders of the relevant Series of Notes, as the case may be, by a majority of the votes cast at a poll by Noteholders or Noteholders of the relevant Series of Notes, as the case may be, present in person or by proxy;
1.64	"Ordinary Shares"	ordinary shares in the issued share capital of the Issuer;
1.65	"Outstanding"	all the Notes issued under the Programme other than:
1.65.1		those which have been redeemed in full;
1.65.2		those in respect of which the date for redemption in accordance with the Ordinary Conditions or the Tier 1 Conditions, as the case may be, has occurred and the redemption monies (including all interest (if any) accrued thereon to the date for such redemption and any interest (if any) payable under the Ordinary Conditions or the Tier 1 Conditions, as the case may be, after such date) remain available for payment against surrender of Certificates (if any) or presentation and surrender of Order Certificates (as defined in the Ordinary Conditions) or Bearer Certificates (as defined in the Ordinary Conditions), as the case may be;
1.65.3		those which have been purchased and cancelled as provided in Condition 11.11 (<i>Cancellation</i>) of the Ordinary Conditions and Condition 10.10 (<i>Cancellation</i>) of the Tier 1 Conditions;
1.65.4		those which have become prescribed under Condition 10 (<i>Prescription</i>) of the Ordinary Conditions and Condition 12 (<i>Prescription</i>) of the Tier 1 Conditions;
1.65.5		Notes represented by those mutilated or defaced Certificates which have been surrendered in exchange

for replacement Certificates pursuant to Condition 14.4 (*Replacement of Certificates*) of the Ordinary Conditions and Condition 14.4 (*Replacement of Certificates*) of the Tier 1 Conditions;

1.65.6

(for the purpose only of determining how many Notes are Outstanding and without prejudice to their status for any other purpose) those Notes represented by Certificates alleged to have been lost, stolen or destroyed and in respect of which replacement Certificates have been issued pursuant to Condition 14.4 (*Replacement of Certificates*) of the Ordinary Conditions and Condition 14.4 (*Replacement of Certificates*) of the Tier 1 Conditions,

provided that for each of the following purposes, namely:

- (a) the right to attend and vote at any meeting of the Noteholders; and
- (b) the determination of how many and which Notes are for the time being Outstanding for the purposes of Conditions 19 (*Meetings of Noteholders*) and 20 (*Amendment of the Terms and Conditions*) of the Ordinary Conditions and Conditions 19 (*Meetings of Noteholders*) and 20 (*Amendment of the Terms and Conditions*) of the Tier 1 Conditions,

all:

- (i) Notes (if any) which are for the time being held by the Issuer (subject to any Applicable Law) or by any person for the benefit of the Issuer and not cancelled (unless and until ceasing to be so held); and
- (ii) Receipts (as defined in the Ordinary Conditions) and Coupons (as defined in the Ordinary Conditions),

shall be deemed not to be Outstanding;

1.66

"Parity Securities"

(i) any securities issued by the Issuer the proceeds of which qualify as Primary Share Capital, (ii) any other securities issued by the Issuer ranking or expressed to rank equally as to payments with the Tier 1 Notes and/or (iii) any securities issued by the Issuer that benefit from a guarantee or support agreement from any other Group Company which ranks or is expressed to rank equally as to payments with the Tier 1 Notes;

1.67

"Participants"

a person accepted by the Central Securities Depository as a participant in terms of the Securities Services Act, and who is approved by BESA, in terms of the rules of BESA, as a settlement agent to perform electronic settlement of funds and scrip;

1.68

"Paying Agent"

the Issuer or, if the Issuer elects to appoint, in relation to one or more Tranche(s) of Notes or Series of Notes, another entity as Paying Agent as contemplated in Condition 17 (*Transfer Agent, Calculation Agent and Paying Agent*), that other entity, as the case may be;

1.69

"Payment Day"

any day which is a Business Day and upon which a payment is due by the Issuer in respect of any Notes;

1.70	"Primary Share Capital"	<i>"primary share capital"</i> as defined in the Banks Act;
1.71	"Principal Amount"	in relation to each Note in a Tranche of Notes, the nominal amount of that Note, being the amount equivalent to the Specified Denomination specified in the Applicable Pricing Supplement;
1.72	"Programme"	Capitec Bank Limited ZAR2 000 000 000 Domestic Medium Term Note Programme under which the Issuer may from time to time issue Notes;
1.73	"Programme Date"	the date of this Programme Memorandum, being 25 April 2008;
1.74	"Programme Memorandum"	this document dated 25 April 2008, as amended and/or supplemented from time to time;
1.75	"PSG Prime"	PSG Prime (Proprietary) Limited (registration number 2002/014343/07);
1.76	"Qualifying Primary Share Capital Securities"	securities whether debt, equity, interests in limited partnerships or otherwise, issued directly or indirectly by the Issuer that:
1.76.1		have terms not materially less favourable to a holder of the Notes than the terms of the current Notes (as reasonably determined by the Issuer, and provided that a certification to such effect of 2 Directors of the Issuer and an opinion to such effect of an Independent Investment Bank shall have been delivered to the Issuer prior to the issue of the relevant securities and is so stated in the certificate) provided that they shall (i) include a ranking at least equal to that of the Notes, (ii) have the same interest, dividend or distribution rate or rate of return and Interest Payment Dates from time to time applying to the Notes, (iii) preserve any existing rights under the Terms and Conditions to any accrued interest which has not been satisfied, (iv) have the same redemption dates as the Notes, (v) be issued in an amount at least equal to the total number of Notes, (vi) comply with the then current requirements of the SARB in relation to Primary Share Capital and (vii) if not issued by the Issuer, then have the benefit of a guarantee by the Issuer; and
1.76.2		are listed on JSE Limited, BESA or any other internationally recognised exchange;
1.77	"Qualifying Secondary Capital Securities"	securities whether debt, equity, interests in limited partnerships or otherwise, issued directly or indirectly by the Issuer that:
1.77.1		have terms not materially less favourable to a holder of the Notes than the terms of the current Notes (as reasonably determined by the Issuer, and provided that a certification to such effect of 2 Directors of the Issuer and an opinion to such effect of an Independent Investment Bank shall have been delivered to the Issuer prior to the issue of the relevant securities and is so stated in the certificate) provided that they shall (i) rank senior to, or <i>pari passu</i> with, the Notes, (ii) have the same interest, dividend or distribution rate or rate of return and Interest Payment Dates from time to time applying to the Notes, (iii) preserve any existing rights under the Terms and Conditions to any accrued interest which has not been satisfied, (iv) have the same redemption dates as the Notes, (v) be issued in an amount at least equal to the total number of Notes, (vi)

		comply with the then current requirements of the SARB in relation to Secondary Capital and (vii) if not issued by the Issuer, then have the benefit of a guarantee by the Issuer; and
1.77.2		are listed on JSE Limited, BESA or any other internationally recognised exchange;
1.78	"Redemption Amount"	as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Early Redemption Amount (Regulatory), the Optional Redemption Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the Applicable Pricing Supplement;
1.79	"Redemption Date"	each date on which a Tranche of Notes is to be redeemed, partially or finally, as the case may be, in terms of the Applicable Terms and Conditions;
1.80	"Registrar of Banks"	the Registrar of Banks contemplated in the Banks Act, 1990;
1.81	"Register"	the register maintained by the Transfer Agent in terms of Condition 16 (<i>Register</i>);
1.82	"Registered Note"	a Note issued in registered form and transferable in accordance with Condition 15.1 (<i>Transfer of Registered Notes</i>);
1.83	"Regulations"	the " <i>Regulations Relating to Banks</i> " promulgated under the Banks Act as Government Notice No. R.3 and published in <i>Government Gazette</i> No. 30629 of 1 January 2008;
1.84	"Regulatory Change"	with respect to the Notes of any Series, a change in, or amendment to, the Capital Regulations or any change in the application of or official or generally published guidance or interpretation of the Capital Regulations, which change or amendment becomes, or would become, effective on or after the Issue Date of the first Tranche of Notes of that Series;
1.85	"Regulatory Event"	an event which results in the proceeds of the issue of the Notes of any Series, as a result of a Regulatory Change, no longer qualifying, or no longer being eligible to qualify for inclusion in the Primary Share Capital of the Issuer and the Controlling Company on a solo and/or consolidated basis (save where such non-qualification is only as a result of any applicable limitation on the amount of such capital);
1.86	"Relevant Date"	in respect of any payment relating to the Notes, the date on which such payment first becomes due, except that, in relation to monies payable to the Central Securities Depository's Nominee in accordance with the Terms and Conditions, it means the first date on which: (i) the full amount of such monies has been received by the Central Securities Depository's Nominee, (ii) such monies are available for payment to the holders of Beneficial Interests, and (iii) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;
1.87	"relevant Interest Amount"	any Interest Amount due under the Notes in a Tranche in respect of any Interest Period;
1.88	"relevant Interest Payment Date"	(i) the Interest Payment Date on which the relevant Interest Amount becomes due and payable to the Noteholders or (ii) if the Issuer elects (or is obliged) not to pay the relevant Interest Amount in terms of Condition 6.1 (<i>Non-payment of Interest</i>), the Interest Payment Date on which, in the absence of such election (or obligation) not to pay, the relevant Interest Amount would otherwise have become due and payable to

		the Noteholders, as the case may be;
1.89	"Representative"	a person duly authorised to act on behalf of a Noteholder, who may be regarded by the Issuer, the Transfer Agent and the Paying Agent (acting in good faith) as being duly authorised based upon the tacit or express representation thereof by such person, in the absence of express notice to the contrary from such Noteholder;
1.90	"SARB"	the South African Reserve Bank;
1.91	"Secondary Capital"	" <i>secondary capital</i> " as defined in the Banks Act;
1.92	"Securities Services Act"	the Securities Services Act, 2004;
1.93	"Senior Creditors"	means;
1.93.1		creditors of the Issuer who are unsubordinated creditors of the Issuer; or
1.93.2		creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors, whether subordinated or unsubordinated, of the Issuer other than those whose claims rank, or are expressed to rank, <i>pari passu</i> with, or junior to, the claims of the Noteholders;
1.94	"Series"	a Tranche of Notes together with any other Tranche or Tranches of Notes which are: (i) expressed in the Applicable Pricing Supplement to be consolidated and form a single series; and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices;
1.95	"Solvency Claims"	has the meaning given in Condition 5.4 (<i>Solvency Claims</i>);
1.96	"Solvency Condition"	has the meaning given in Condition 5.3 (<i>Solvency Condition</i>);
1.97	"Solvent Reconstruction"	the event where an order is made or an effective resolution is passed for the winding-up of the Issuer (other than under or in connection with a scheme of amalgamation or reconstruction) not involving a bankruptcy or insolvency and 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 an event where an arrangement with similar effect not involving bankruptcy or insolvency is implemented, as the case may be;
1.98	"South Africa"	the Republic of South Africa;
1.99	"Specified Currency"	has the meaning given in the Applicable Pricing Supplement;
1.100	"Specified Determination"	has the meaning given in the Applicable Pricing supplement;
1.101	"Specified Office"	in relation to each of the Issuer, the Calculation Agent, the Paying Agent and the Transfer Agent, the address of the office specified in respect of such entity at the end of the Programme Memorandum, or such other address as is notified by such entity (or, where applicable, a successor to such entity) to the Noteholders in accordance with the Terms and Conditions, as the case may be;
1.102	"Subordinated Debt"	any subordinated debt issued by the Issuer, the proceeds of which subordinated debt qualify as Secondary Capital or Tertiary Capital of the Issuer;

1.103	"Taxable Gain"	has the meaning given in Condition 11.4.2 (<i>Taxation</i>);
1.104	"Taxable Income"	has the meaning given in Condition 11.4.1 (<i>Taxation</i>);
1.105	"Tax Event"	an event where, (a) as a result of a Tax Law Change, (i) the Issuer has paid or will pay or would on the next Interest Payment Date be required to pay additional amounts as provided or referred to in Condition 11 (<i>Taxation</i>); 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 respect of computing its taxation liabilities in South Africa, or such entitlement is materially reduced, or (b) other than as a result of a Tax Law Change, the Issuer's treatment of the interest payable by it on the Notes as a tax deductible expense for South African income tax purposes as reflected on the tax returns (including provisional tax returns) filed (or to be filed) by the Issuer is not accepted by the South African Revenue Service, and in each case the Issuer cannot avoid the foregoing in connection with the Notes by taking measures reasonably available to it (such reasonable measures to exclude any requirement to instigate litigation in respect of any decision or determination of the South African Revenue Service that any such interest does not constitute a tax deductible expense);
1.106	"Tax Law Change"	with respect to the Notes of any Series a change in or proposed change in, or amendment or proposed amendment to, the laws or regulations of South Africa, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), whether or not having retrospective effect, which change or amendment is announced on or after the Issue Date of the first Tranche of Notes of that Series;
1.107	"Taxes"	all present and future taxes, levies, imposts, duties, charges, fees, deductions and withholdings imposed or levied by any governmental, fiscal or other competent authority in South Africa or any other jurisdiction from which any payment is made (and including any penalty payable in connection with any failure to pay, or delay in paying, any of the same) and "Tax" and "Taxation" shall be construed accordingly;
1.108	"Tertiary Capital"	<i>"tertiary capital"</i> as defined in the Banks Act;
1.109	"Terms and Conditions" and "Tier 1 Conditions"	the terms and conditions of the Tier 1 Notes set out in this section of the Programme Memorandum headed <i>"Terms and Conditions of the Tier 1 Notes"</i> ;
1.110	"Tranche" and "Tranche of Notes"	those Notes which are identical in all respects (including as to listing) and in respect of which the same Applicable Pricing Supplement applies;
1.111	"Transfer Agent"	Computershare Investor Services (Proprietary) Limited or, if the Issuer elects to appoint, in relation to one or more Tranche(s) of Notes or Series of Notes, another entity as Transfer Agent as contemplated in Condition 17 (Condition 17 (<i>Transfer Agent, Calculation Agent and Paying Agent</i>)), that other entity, as the case may be;
1.112	"Transfer Form"	the written form for the transfer of a Note represented by a Certificate, in the usual form or in such other form as is approved by the Transfer Agent;
1.113	"Undated Secondary Capital"	the proceeds of the issue of Undated Tier 2 Notes (as defined in the Ordinary Conditions) which proceeds qualify as

Secondary Capital;

- 1.114 **"ZAR"** the lawful currency of South Africa, being South African Rand, or any successor currency; and
- 1.115 **"ZAR-JIBAR-SAFEX"** the mid-market rate for deposits in ZAR for a period of the Designated Maturity which appears on the Reuters Screen SAFEY Page as at 12h00, South African time, on the relevant date, or any successor rate.
- 1.116 In the Terms and Conditions, unless inconsistent with the context, any reference to:
- 1.116.1 one gender include a reference to the others;
- 1.116.2 the singular includes the plural and *vice versa*;
- 1.116.3 natural persons include juristic persons and *vice versa*;
- 1.116.4 a subsidiary or holding company shall be interpreted in accordance with section 1 of the Companies Act;
- 1.116.5 any agreement or instrument is a reference to that agreement or instrument as amended, supplemented, varied, novated, restated or replaced from time to time, and amended or amendment will be construed accordingly;
- 1.116.6 a provision of law is a reference to that provision as amended or re-enacted, and includes any subordinate legislation;
- 1.116.7 a **regulation** includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, being of a type with which any person to which it applies is accustomed to comply) of any governmental, inter-governmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
- 1.116.8 disposal means a sale, transfer, grant, lease or other disposal (whether voluntary or involuntary);
- 1.116.9 an authorisation includes an authorisation, consent, approval, resolution, licence, exemption, filing, registration or notarisation;
- 1.116.10 an Event of Default being continuing means that it has not been remedied or waived;
- 1.116.11 a Party or any other person includes that person's permitted successor, transferee, cessionary and/or delegate; and
- 1.116.12 a time of day is a reference to South African time.
- 1.117 If any provision in a definition is a substantive provision conferring rights or imposing obligations on any party, effect must be given to it as if it were a substantive provision in the body of the Terms and Conditions, notwithstanding that it is contained in this Condition 1.
- 1.118 Headings are inserted for the sake of convenience only and do not in any way affect the interpretation of the Terms and Conditions.
- 1.119 All references in the Terms and Conditions to any statute, regulation or other legislation (including, without limiting the generality of the foregoing, the Capital Regulations, the Applicable Laws and the Applicable Procedures) will be a reference to that statute, regulation or other legislation as at the Programme Date and as amended, re-enacted or replaced and substituted from time to time.
- 1.120 The use of the word **including** followed by specific examples will not be construed as limiting the meaning of the general wording preceding it, and the *eiusdem generis* rule must not be applied in the interpretation of such general wording or such specific examples.
- 1.121 The rule of construction that an agreement is to be interpreted against the party responsible for the drafting or preparation thereof must not be used in the interpretation of the Terms and Conditions.

2. ISSUE

- 2.1 Subject to the prior consent of the Registrar of Banks, the Issuer may, at any time and from time to time (without the consent of any Noteholder) issue one or more Tranche(s) of Notes pursuant to the Programme; provided that the aggregate Outstanding Principal Amount of all of the Notes issued under the Programme from time to time does not exceed the Programme Amount.
- 2.2 Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. A Tranche of Notes will be issued on, and subject to, the Applicable Terms and Conditions of that Tranche of Notes. The Applicable Terms and Conditions of a Tranche of Notes are the Terms and Conditions, as replaced, amended and/or supplemented by the terms and conditions of that Tranche of Notes set out in the Applicable Pricing Supplement relating to that Tranche of Notes.
- 2.3 The Applicable Terms and Conditions of a Tranche of Notes are incorporated by reference into the Certificate(s) (if any) representing the Notes in that Tranche. The Applicable Pricing Supplement relating to a Tranche of Notes issued in certificated form will be attached to the Certificate(s) representing the Notes in that Tranche.

3. FORM AND DENOMINATION

3.1 General

- 3.1.1 Notes will be issued in the form of Registered Notes.
- 3.1.2 All payments in relation to the Notes will be made in the Specified Currency.
- 3.1.3 Each Note shall be a Tier 1 Note.
- 3.1.4 Each Note may be a Fixed Rate Note, a Floating Rate Note, or a Mixed Rate Note.
- 3.1.5 Each Note will be issued in the Specified Denomination.
- 3.1.6 Listed and/or unlisted Notes may be issued under the Programme.

3.2 Registered Notes

Registered Notes will be issued in certificated form or in uncertificated form. Each Tranche of Notes which is listed on BESA, whether issued in certificated form or in uncertificated form, will be held in the Central Securities Depository. A Tranche of unlisted Notes may also be held in the Central Securities Depository.

3.2.1 *Notes issued in certificated form*

- 3.2.1.1 Each Tranche of unlisted Notes and each Tranche of Notes which is listed on BESA and/or lodged in the Central Securities Depository will be issued in certificated form. Each Tranche of Notes which is listed on BESA and lodged in the Central Securities Depository will be represented by a Global Certificate. Each Global Certificate will be deposited with and lodged in the Central Securities Depository.
- 3.2.1.2 All Notes issued in certificated form which are not represented by a Global Certificate will be represented by Individual Certificates.

3.2.2 *Notes issued in uncertificated form*

A Tranche of Notes which is listed on BESA may, subject to Applicable Laws, be issued in uncertificated form in terms of Section 37 of the Securities Services Act. Notes issued in uncertificated form will not be represented by any certificate or written instrument. A Tranche of Notes represented by a Global Certificate may be replaced by uncertificated securities in terms of section 37 of the Securities Services Act.

3.2.3 *Beneficial Interests in Notes held in the Central Securities Depository*

- 3.2.3.1 A Tranche of Notes which is listed on BESA will either be issued in certificated form and lodged in the Central Securities Depository under the Global Certificate or be issued in uncertificated form and held in the Central Securities Depository. A Tranche of unlisted Notes may also be held in the Central Securities Depository under the Global Certificate.

- 3.2.3.2 The Central Securities Depository will hold each Tranche of Notes subject to the Securities Services Act and the Applicable Procedures.
- 3.2.3.3 All amounts to be paid and all rights to be exercised in respect of Notes held in the Central Securities Depository will be paid to and may be exercised only by the Central Securities Depository's Nominee for the holders of Beneficial Interests in such Notes.
- 3.2.3.4 A holder of a Beneficial Interest shall only be entitled to exchange such Beneficial Interest for Notes represented by an Individual Certificate in accordance with Condition 14.1 (*Exchange of Beneficial Interests*).

4. TITLE

4.1 Registered Notes

4.1.1 *Notes issued in certificated form*

- 4.1.1.1 The Central Securities Depository's Nominee will be named in the Register as the registered holder of each Tranche of Notes which is represented by a Global Certificate.
- 4.1.1.2 Each holder of Notes represented by an Individual Certificate will be named in the Register as the registered holder of such Notes.
- 4.1.1.3 The Issuer, the Transfer Agent and the Paying Agent shall recognise a Noteholder as the sole and absolute owner of the Notes registered in that Noteholder's name in the Register (notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust, express, implied or constructive, to which any Note may be subject.
- 4.1.1.4 Title to Notes represented by a Certificate will pass upon registration of transfer in the Register in accordance with Condition 15.1 (*Transfer of Registered Notes*).

4.1.2 *Notes issued in uncertificated form*

The Central Securities Depository's Nominee will be named in the Register as the registered holder of each Tranche of Notes which is issued in uncertificated form.

4.1.3 *Beneficial Interests in Notes held in the Central Securities Depository*

- 4.1.3.1 While a Tranche of Notes is held in its entirety in the Central Securities Depository, the Central Securities Depository's Nominee will be named in the Register as the sole Noteholder of the Notes in that Tranche.
- 4.1.3.2 Beneficial Interests which are held by Participants will be held directly through the Central Securities Depository, and the Central Securities Depository will hold such Beneficial Interests, on behalf of such Participants, through the central securities accounts maintained by the Central Securities Depository for such Participants.
- 4.1.3.3 Beneficial Interests which are held by clients of Participants will be held indirectly through such Participants, and such Participants will hold such Beneficial Interests, on behalf of such clients, through the securities accounts maintained by such Participants for such clients. The clients of Participants may include the holders of Beneficial Interests or their custodians. The clients of Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the Central Securities Depository only through their Participants.
- 4.1.3.4 In relation to each person shown in the records of the Central Securities Depository or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Principal Amount of Notes, a certificate or other document issued by the Central Securities Depository or the relevant Participant, as the case may be, as to the Principal Amount of such Notes standing to the account of such person shall be *prima facie* proof of such Beneficial Interest. The Central Securities Depository's Nominee (as the registered holder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that aggregate Principal Amount of such Notes for all purposes.
- 4.1.3.5 Beneficial Interests in Notes may be transferred only in accordance with the Applicable

Procedures. Such transfers will not be recorded in the Register and the Central Securities Depository's Nominee will continue to be reflected in the Register as the registered holder of such Notes, notwithstanding such transfers.

- 4.1.3.6 Any reference in the Terms and Conditions to the relevant Participant shall, in respect of a Beneficial Interest, be a reference to the Participant.

5. STATUS

5.1 Status of the Notes

The Notes constitute direct, unsecured and, in accordance with Condition 5.2 (*Subordination*), subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves. The Notes rank *pari passu* with all subordinated debt issued by the Issuer the proceeds of which qualify as Primary Share Capital and all Non-Redeemable Non-Cumulative Preference Shares issued by the Issuer the proceeds of which qualify as Primary Share Capital. The Notes rank senior only in respect of the rights and claims of the holders of Ordinary Shares.

5.2 Subordination

The claims of the Noteholders entitled to be paid amounts due in respect of the Notes are subordinated to the claims of Depositors, Senior Creditors and the holders of Subordinated Debt and, accordingly in the event of the dissolution of the Issuer or if the Issuer is placed into liquidation, or is wound-up or placed under judicial management or curatorship (other than pursuant to a Solvent Reconstruction):

- 5.2.1 no Noteholder shall be entitled to prove or tender to prove a claim in respect of the Notes;
- 5.2.2 no amount due under the Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which a Noteholder might otherwise have under the laws of any jurisdiction in respect of the Notes nor shall any amount due under the Notes be payable to any Noteholder; and
- 5.2.3 subject to Applicable Law, a Noteholder may not exercise or claim any right of set-off in respect of any amount in respect of the principal of and/or interest on the Notes owed to it by the Issuer and each Noteholder shall, by virtue of its subscription, purchase or holding of any Notes, be deemed to have waived all such rights of set-off and, to the extent that any set-off takes place, whether by operation of law or otherwise, between (a) any amount in respect of the principal and/or interest on the Notes owed by the Issuer to a Noteholder; and (b) any amount owed to the Issuer by such Noteholder, such Noteholder will immediately transfer such amount which is set-off to the Issuer or, in the event of its dissolution, winding-up, liquidation, judicial management or curatorship (as the case may be), the liquidator, administrator or other relevant insolvency official of the Issuer, to hold in trust for the Depositors, the Senior Creditors and the holders of Subordinated Debt,

until the claims of Depositors, Senior Creditors and the holders of Subordinated Debt which are admissible in any such dissolution, liquidation, winding-up, judicial management or curatorship have been paid or discharged in full.

5.3 Solvency Condition

Payments in respect of the principal and interest on the Notes (including payment of any additional amounts pursuant to Condition 11 (*Taxation*)) are, in addition to the right of the Issuer to elect not to pay interest in accordance with Condition 6.1 (*Non payment of interest*), conditional upon the Issuer being solvent at the time of payment by the Issuer, and, no principal or interest on the Notes shall be due and payable in respect of the Notes except to the extent that the Issuer could make such payment and still be solvent immediately thereafter. For the purposes of this Condition 5.3, the Issuer shall be solvent if (i) it is able to pay its debts owed to Depositors, Senior Creditors and the holders of Subordinated Debt as they fall due and (ii) its Assets exceed its Liabilities to Depositors, Senior Creditors and the holders of Subordinated Debt (the "**Solvency Condition**"). A report as to the solvency of the Issuer made by 2 directors of the Issuer or, if the Issuer is in liquidation, its liquidator or, if in judicial management, its judicial manager or if under curatorship, its curator shall, in the absence of manifest error, be treated and accepted by the Issuer and the Noteholders as correct and sufficient evidence of such solvency.

5.4 Solvency Claims

Amounts representing any payments of principal in respect of which the Solvency Condition is not satisfied on the date upon which the same would otherwise be due and payable ("**Solvency Claims**") will be payable by the Issuer (i) subject to Condition 5.2 (*Subordination*), in a winding-up liquidation, judicial management or curatorship of the Issuer and (ii) subject to satisfying the Solvency Condition, on any redemption pursuant to

Condition 10.2 (*Redemption for tax reasons*), Condition 10.3 (*Redemption for regulatory reasons*) or Condition 10.4 (*Redemption at the option of the Issuer*) provided that in the event that, prior to any winding-up or liquidation, judicial management or curatorship of the Issuer, the Issuer shall again be solvent and would be solvent immediately after the making of such payment of Solvency Claims, then the Issuer shall promptly notify the Noteholders in accordance with Condition 18 (*Notices*), the Transfer Agent and the Paying Agent of such fact and the Solvency Claims shall, subject to satisfying the Solvency Condition, be due and payable on the 16th Business Day after the Issuer shall have given such notice. A Solvency Claim shall not bear interest unless and only so long as the Issuer shall be solvent once again, in which case interest shall accrue on any such Solvency Claim from (and including) the date on which the Issuer is so solvent again to (but excluding) the date on which such Solvency Claim is paid. Any such interest shall accrue at a rate equal to the then applicable rate of Interest determined in accordance with Condition 8 (*Interest*). In the event that the Issuer shall be so solvent once again, the Issuer may not declare or pay any distribution or dividend or make any other payment on any Junior Securities and/or Parity Securities (*mutatis mutandis* in accordance with Condition 6.3(a) (*Restrictions following non payment of interest*)) from the date that the Issuer is so solvent again until the date on which the Solvency Claim and any relevant interest on the Solvency Claim is paid.

For the avoidance of doubt, if the Issuer would otherwise not be solvent for the purposes of the above, any sums which would otherwise be payable in respect of the Notes will be available to be put towards the losses of the Issuer.

5.5 Capital Regulations and Additional Conditions

In order for the proceeds of the issue of a Tranche of Notes to qualify as Primary Share Capital, that Tranche of Notes must comply with the applicable Capital Regulations, including the Additional Conditions (if any) prescribed by the Registrar of Banks in respect of that Tranche of Notes. The Additional Conditions (if any) prescribed by the Registrar of Banks in respect of any such Tranche of Notes will be specified in the Applicable Pricing Supplement or a supplement to the Programme Memorandum.

6. INTEREST PAYMENTS ON THE NOTES

6.1 Non payment of interest

Interest payments on the Notes will not be cumulative. The Issuer shall be obliged to pay the relevant Interest Amount on the relevant Interest Payment Date unless:

- 6.1.1 subject to Condition 6.2 (*Compulsory payment of interest*), the Issuer elects not to pay the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date;
- 6.1.2 the Issuer is in breach of either of the Capital Regulations or the Solvency Condition on the Business Day prior to the relevant Interest Payment Date or would be in breach of the Capital Regulations or the Solvency Condition if the relevant Interest Amount (or any portion thereof) were paid on the relevant Interest Payment Date; or
- 6.1.3 at any time the Registrar of Banks imposes a mandatory prohibition on the payment by the Issuer of interest.

If the Issuer elects not to pay the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date pursuant to the provisions of this Condition 6.1, it shall give notice of such election not to pay to the Tier 1 Noteholders in accordance with Condition 18 (*Notices*) and to the Paying Agent no later than the fifth Business Day preceding the Last Day to Register applicable to the relevant Interest Payment Date. The Issuer will, prior to giving such notice, procure that all such steps are or will be taken as are necessary to ensure that, on and following the relevant Interest Payment Date, effect is given to the restrictions set out in Condition 6.3 (*Restrictions following non payment of interest*).

If the Issuer is obliged, pursuant to the provisions of this Condition 6.1, not to pay the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date, it shall give notice of such obligation not to pay to the relevant Tier 1 Noteholders in accordance with Condition 18 (*Notices*) and to the Paying Agent and, if required by the applicable Capital Regulations, the Registrar of Banks.

If the Issuer elects (or is obliged) not to pay the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date in accordance with this Condition 6.1, then the obligation that the Issuer would have had, in the absence of the aforementioned election (or obligation), to pay the relevant Interest Amount (or the relevant portion thereof) to the relevant Tier 1 Noteholders on the relevant Interest Payment Date shall be extinguished in its entirety, and any failure to pay the relevant Interest Amount (or the relevant portion thereof) shall not constitute a default by the Issuer or any breach of the Applicable Terms and Conditions or for any other purpose and the relevant Noteholders will have no claim of whatsoever nature in respect of any such non-payment.

6.2 Compulsory payment of interest

On any Interest Payment Date on which (i) a Capital Disqualification Event has occurred and is continuing, (ii) the Issuer is in compliance with the Capital Regulations and the Solvency Condition and (iii) the Registrar of Banks has not imposed a mandatory prohibition on the payment of interest, the Issuer shall, subject to the Issuer's right to redeem the Notes pursuant to Condition 10.3 (*Redemption for regulatory reasons*), not be permitted to exercise its right under Condition 6.1.1 (*Non payment of interest*) to elect not to pay the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date and shall be obliged to pay the relevant Interest Amount payable on the relevant Interest Payment Date.

6.3 Restrictions following non payment of interest

If the Issuer elects (or is obliged) not to pay the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date pursuant to the provisions of Condition 6.1 (*Non payment of interest*), then from the relevant Interest Payment Date until the date on which the Issuer next pays in full the Interest Amount due and payable on any succeeding Interest Payment Date on all Outstanding Notes, the Issuer shall not (a) declare or pay any distribution or dividend or make any other payment on any Junior Securities and/or Parity Securities (other than (i) Mandatory Securities or (ii) any dividend which has been declared on any Junior Securities and/or Parity Securities before the date of receipt, by the Noteholders, of the notice given in respect of such election (or obligation) not to pay the relevant Interest Amount (or any portion thereof) pursuant to Condition 6.1 (*Non payment of interest*), or (ii) intra-group dividends on any Junior Securities and/or Parity Securities (other than any Junior Securities and/or Parity Securities issued by the Issuer the proceeds of which qualify as Primary Share Capital) between the Issuer and any other Group Company, which can be paid at any time); or (b) redeem, purchase, cancel, reduce or otherwise acquire any Junior Securities and/or Parity Securities.

7. GOVERNING LAW

The provisions of the Programme Memorandum and, unless otherwise specified in the Applicable Pricing Supplement, the Notes and the Applicable Terms and Conditions, are governed by, and shall be construed in accordance with, the laws of South Africa in force from time to time.

8. INTEREST

8.1 Interest on Fixed Rate Notes

8.1.1 Unless otherwise specified in the Applicable Pricing Supplement, interest on Fixed Rate Notes will be paid on a 6-monthly basis, on the Interest Payment Dates.

8.1.2 Each Fixed Rate Note will bear interest on its Principal Amount from (and including) the Interest Commencement Date to (but excluding) the Redemption Date at the rate(s) per annum equal to the Fixed Interest Rate. Such interest shall fall due for payment in arrear on the Interest Payment Date(s) in each year and on the Redemption Date if such date does not fall on an Interest Payment Date. The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date.

8.1.3 The Calculation Agent will calculate the Interest Amount payable in respect of each Tranche of Fixed Rate Notes for each Interest Period. Unless stated otherwise in the Applicable Pricing Supplement, the Interest Amount for half yearly interest payments shall be calculated by multiplying the Interest Rate by the Principal Amount of the Fixed Rate Note and then dividing such product by 2 (the resultant sum will be rounded to the nearest smallest denomination of the Specified Currency, half of any such denomination being rounded upwards), provided that:

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

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

Save as provided in the preceding paragraphs of this Condition 8.1, if interest is required to be calculated for a period of other than one year (in the case of annual interest payments) or other than 6 months (in the case of semi-annual interest payments), as the case may be, such interest shall be calculated on the basis of the actual number of days (including the first day and excluding the last day) in such period divided by 365.

8.2 Interest on Floating Rate Notes

A. Interest Rate

The Interest Rate payable from time to time in respect of the Floating Rate Notes will be determined:

- (a) on the basis of ISDA Determination; or
- (b) on the basis of Screen Rate Determination; or
- (c) on such other basis as may be determined by the Issuer,

all as specified in the Applicable Pricing Supplement.

B. ISDA Determination

Where ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate for each Interest Period will be the relevant ISDA Rate (as defined below) plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any).

For the purposes of this Condition 8.2 B:

"ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by such agent as is specified in the Applicable Pricing Supplement under a notional interest rate swap transaction if that agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

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

"Floating Rate", **"Floating Rate Option"**, **"Designated Maturity"** and **"Reset Date"** have the meanings given to those expressions in the ISDA Definitions.

When this Condition 8.2B applies, in respect of each Interest Period such agent as is specified in the Applicable Pricing Supplement will be deemed to have discharged its obligations under Condition 8.2F (*Determination of Interest Rate and calculation of Interest Amount*) in respect of the determination of the Interest Rate if it has determined the Interest Rate in respect of such Interest Period in the manner provided in this Condition 8.2B.

C. Screen Rate Determination

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

- (a) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (b) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.00005 being rounded upwards) of the offered quotations,

for the Reference Rate(s) which appears or appear as the case may be, on the Relevant Screen Page as at 12h00 (South African time) on the Interest Determination Date in question, plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If 5 or more such offered quotations are available on the Relevant Screen Page the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by such agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (i) above, no such offered quotation appears or, in the case of (ii) above, fewer than 3 such offered quotations appear, in each case at the time specified in the preceding paragraph, the Calculation Agent shall request the principal Johannesburg Specified Office of

each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 12h00 (South African time) on the Interest Determination Date in question. If 2 or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Interest Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.00005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If the Interest Rate cannot be determined by applying the provisions of the preceding paragraphs of this Condition 8.2C, the Interest Rate for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.00005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any 2 or more of them, at which such banks offered, at approximately 12h00 (South African time) on the relevant Interest Determination Date, in respect of deposits in an amount approximately equal to the Principal Amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, to Reference Banks in the Johannesburg inter-bank market plus or minus (as appropriate) the Margin (if any). If fewer than 2 of the Reference Banks provide the Calculation Agent with such offered rates, the Interest Rate for the relevant Interest Period will be determined by the Calculation Agent as the arithmetic mean (rounded as provided above) of the rates for deposits in an amount approximately equal to the Principal Amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, quoted at approximately 12h00 (South African time) on the relevant Interest Determination Date, by 4 leading banks in Johannesburg (selected by the Calculation Agent and approved by the Issuer) plus or minus (as appropriate) the Margin (if any). If the Interest Rate cannot be determined in accordance with the foregoing provisions of this paragraph, the Interest Rate shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

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

"Reference Banks" means for the purposes of this Condition 8.2C, 4 leading banks in the South African inter-bank market selected by the Calculation Agent and approved by the Issuer.

D. *Minimum and/or Maximum Interest Rate*

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

E. *Interest Payment Dates*

Each Floating Rate Note will bear interest on its Principal Amount from (and including) the Interest Commencement Date up to (but excluding) the Redemption Date at the rate equal to the Interest Rate. Such interest shall fall due for payment in arrears on the Interest Payment Date(s).

F. *Determination of Interest Rate and calculation of Interest Amount*

The Calculation Agent will, in the case of Floating Rate Notes, at or as soon as practicable after each time at which the Interest Rate is to be determined, determine the Interest Rate and calculate the Interest Amount for the relevant Interest Period. Unless stated otherwise in the Applicable Pricing Supplement, each Interest Amount shall be calculated by multiplying the Interest Rate by the Principal Amount (or, if it is a Partly Paid Note, on the amount paid up), then multiplying the product by the applicable Day Count Fraction and rounding the resultant product to the nearest smallest denomination of the Specified Currency, half of any such denomination being rounded upwards.

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

- (a) if **"Actual/365"** is specified in the Applicable Pricing Supplement, the actual number of elapsed days (including the first day and excluding the last day of such Interest Period) in the Interest Period divided by 365; or
- (b) such other calculation method as is specified in the Applicable Pricing Supplement.

G. *Notification of Interest Rate and Interest Amount*

The Calculation Agent (or such other agent as is specified in the Applicable Pricing Supplement) will cause the Interest Rate and each Interest Amount for each Interest Period to be notified to the Issuer, the Paying Agent, the Transfer Agent, the Noteholders in accordance with Condition 18 (*Notices*) and, if the relevant Notes are listed on BESA, BESA and the Central Securities Depository, as soon as possible after their determination but not later than the 4th Business Day thereafter. Each Interest Rate and Interest Amount so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the Issuer, the Paying Agent, the Transfer Agent, the Noteholders in accordance with Condition 18 (*Notices*) and, if the relevant Notes are listed on BESA, BESA and the Central Securities Depository.

H. *Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 8.2 by the Calculation Agent shall, in the absence of wilful deceit, bad faith, manifest error or dispute as set out hereunder, be binding on the Issuer, the Calculation Agent, and all Noteholders, and no liability to the Issuer or the Noteholders shall attach to the Transfer Agent, the Calculation Agent or the Paying Agent (as the case may be) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

8.3 **Mixed Rate Notes**

The Interest Rate payable from time to time on Mixed Rate Notes shall be the Interest Rate payable on any combination of Fixed Rate Notes or Floating Rate Notes for respective periods, each as specified in the Applicable Pricing Supplement. During each such applicable period, the interest rate on the Mixed Rate Notes shall be determined and fall due for payment on the basis that such Mixed Rate Notes are Fixed Rate Notes or Floating Rate Notes, as the case may be.

8.4 **Accrual of Interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date of its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue at the SAFEX Overnight Deposit Rate (to be found on the Reuters Screen SAFEY page as at 12h00 (South African time) on the presentation date, or any successor rate) until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) the date on which the full amount of the monies payable has been received by the Paying Agent and notice to that effect has been given to Noteholders in accordance with Condition 18 ("*Notices*").

In the event that the SAFEX Overnight Deposit Rate is not ascertainable from the relevant screen page at the time contemplated above, the Calculation Agent shall follow the procedure contemplated in Condition 8.2C (*Screen Rate Determination*) to ascertain a rate.

8.5 **Business Day Convention**

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

- (a) the "**Floating Rate Business Day Convention**", such Interest Payment Date (or other date) shall in any case where Interest Periods are specified in accordance with Condition 8.2 E (*Interest Payment Dates*), be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event: (i) such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day; and (ii) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Period in the Applicable Pricing Supplement after the preceding applicable Interest Payment Date (or other date) has occurred; or
- (b) the "**Following Business Day Convention**", such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or

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

9. PAYMENTS

9.1 Registered Notes

- 9.1.1 Payments of interest and principal in respect of Notes represented by the Global Certificate and Notes issued in uncertificated form will be made to the Central Securities Depository's Nominee, as the registered holder of such Notes, which in turn will transfer such funds, via the Participants, to the holders of Beneficial Interests. Each of the persons reflected in the records of the Central Securities Depository or the relevant Participant, as the case may be, as the holders of Beneficial Interests in Notes shall look solely to the Central Securities Depository or the relevant Participant, as the case may be, for such persons share of each payment so made by the Issuer to, or for the order of, the Central Securities Depository's Nominee, as the registered holder of such Notes. The Issuer will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Beneficial Interests, or for maintaining, supervising or reviewing any records relating to Beneficial Interests. Payments of interest and principal in respect of Notes represented by the Global Certificate and Notes issued in uncertificated form shall be recorded by the Central Securities Depository's Nominee, as the registered holder of such Notes, distinguishing between interest and principal, and such record of payments by the Central Securities Depository's Nominee, as the registered holder of such Notes shall be *prima facie* proof of such payments.
- 9.1.2 Payments of interest and principal in respect of Notes represented by Individual Certificates shall be made to the person reflected as the registered holder of such Notes in the Register at 17h00 (South African time) on the Last Day to Register.

9.2 Method of Payment

- 9.2.1 Payments of interest and principal will be made in the Specified Currency by electronic funds transfer.
- 9.2.2 If the Issuer or (where applicable) the Paying Agent is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with Condition 9.1 (*Registered Notes*) (whether by reason of strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of labour, Government interference or control or any other cause or contingency beyond the control of the Issuer), the Issuer shall make such payment by cheque (or by such number of cheques as may be required in accordance with applicable banking law and practice) to make payment of any such amounts. Such payments by cheque shall be sent by post to the address of the Noteholder of Registered Notes as set forth in the Register or, in the case of joint Noteholders of Registered Notes, the address set forth in the Register of that one of them who is first named in the Register in respect of that Note.
- 9.2.3 Each such cheque shall be made payable to the relevant Noteholder or, in the case of joint Noteholders of Registered Notes, the first one of them named in the Register. Cheques may be posted by ordinary post, provided that neither the Issuer nor (where applicable) the Paying Agent shall be responsible for any loss in transmission and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all cheques posted in terms of this Condition 9.2.
- 9.2.4 In the case of joint Noteholders of Registered Notes payment by electronic funds transfer will be made to the account of the Noteholder first named in the Register. Payment by electronic transfer to the Noteholder first named in the Register shall discharge the Issuer of its payment obligations under the relevant Notes.
- 9.2.5 Payments will be subject in all cases to any taxation or other laws, directives and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*).

9.3 Surrender of Certificates

- 9.3.1 On or before the Last Day to Register prior to any Redemption Date of a Note issued in certificated form (including a Redemption Date relating to redemption in part), the holder of the Certificate representing such Note shall surrender such Certificate to the Transfer Agent, for endorsement or cancellation, as

the case may be. In the case of the Global Certificates, redemptions in part will be handled in accordance with the Applicable Procedures.

9.3.2 Should the holder of a Certificate refuse or fail to surrender the Certificate for endorsement or cancellation on or before the Redemption Date, the amount payable to him in respect of the Notes represented by that Certificate, including any accrued interest, shall be retained by the Issuer for the Noteholder, at the latter's risk, until the Noteholder surrenders such Certificate, and interest in respect of such Notes shall cease to accrue to the Noteholder from the Redemption Date.

9.3.3 Documents required to be presented and/or surrendered to the Transfer Agent in accordance with the Terms and Conditions shall be so presented and/or surrendered at the Specified Office of the Transfer Agent.

9.4 **Payment Day**

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

9.5 **Interpretation of principal and interest**

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

- 9.5.1 any additional amounts which may be payable with respect to principal under Condition 11 (*Taxation*);
- 9.5.2 the Final Redemption Amount or the Early Redemption Amount, as the case may be;
- 9.5.3 the Optional Redemption Amount(s) (if any);
- 9.5.4 any premium and any other amounts which may be payable in respect of the Notes, but excluding interest.

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

10. **REDEMPTION AND PURCHASE**

10.1 **No maturity date**

The Notes have no maturity date and may only be redeemed or purchased, or substituted or varied (subject to compliance with Condition 5.3 (*Solvency Condition*) and Condition 5.2 (*Subordination*) and without prejudice to Condition 5.4 (*Solvency Claims*) or Condition 13 (*Events of Default*)) in accordance with the provisions of this Condition 10.

10.2 **Redemption for tax reasons**

Any Series of Notes may, subject to the Issuer satisfying the Solvency Condition and subject to Condition 10.6 (*Conditions to Redemption, Substitution or Variation*), be redeemed at the option of the Issuer in whole or, if so specified in the Applicable Pricing Supplement, in part, subject to the Issuer having given not less than 30 nor more than 60 days notice to the Noteholders of such Notes (which notice shall be irrevocable) in accordance with Condition 18 (*Notices*) and to the Transfer Agent and the Paying Agent, on the date for redemption stipulated in such notice (which date shall be an Interest Payment Date if the relevant Notes are, at the time of redemption, subject to provisions applicable to Floating Rate Notes specified in the Applicable Pricing Supplement) at the Early Redemption Amount (Tax), if a Tax Event has occurred and is continuing, *provided, however, that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (i) would be obliged to pay additional amounts in respect of such Notes in accordance with Condition 11 (*Taxation*) or (ii) would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities, as applicable.

Prior to the publication of any notice of redemption pursuant to this Condition 10.2, the Issuer shall deliver to the Noteholders in accordance with Condition 18 (*Notices*) (A) a certificate signed by 2 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 (B) an opinion of independent advisers of recognised standing to the effect that a Tax Event has occurred.

10.3 Redemption for regulatory reasons

Any Series of Notes may, subject to the Issuer satisfying the Solvency Condition and subject to Condition 10.6 (*Conditions to Redemption, Substitution or Variation*), be redeemed at the option of the Issuer in whole or, if so specified in the Applicable Pricing Supplement, in part, subject to the Issuer having given not less than 30 nor more than 60 days notice to the Noteholders of such Notes (which notice shall be irrevocable) in accordance with Condition 18 (*Notices*) and to the Transfer Agent and the Paying Agent, on the date for redemption stipulated in such notice (which date shall be an Interest Payment Date if the relevant Notes are, at the time of redemption, subject to provisions applicable to Floating Rate Notes specified in the Applicable Pricing Supplement) at the Early Redemption Amount (Regulatory), if a Regulatory Event has occurred and is continuing.

Prior to the publication of any notice of redemption pursuant to this Condition 10.3, the Issuer shall deliver to the Noteholders in accordance with Condition 18 (*Notices*) (a) a certificate signed by 2 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 (b) 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 Primary Share Capital of the Issuer on a solo and/or a consolidated basis, an opinion of independent advisers of recognised standing to the effect that a Regulatory Event has occurred.

10.4 Redemption at the option of the Issuer

The Notes may, subject to the Issuer satisfying the Solvency Condition and subject to Condition 10.6 (*Conditions to Redemption, Substitution or Variation*), be redeemed at the option of the Issuer in whole or, if so specified in the Applicable Pricing Supplement, in part, on the First Optional Redemption Date at the Optional Redemption Amount, subject to the Issuer having given not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 18 (*Notices*) and to the Transfer Agent and the Paying Agent.

10.5 Substitution or Variation instead of Redemption

If a Tax Event or a Regulatory Event has occurred and is continuing, then the Issuer may instead of giving notice to redeem, subject to the Issuer satisfying the Solvency Condition and subject to Condition 10.6 (*Conditions to Redemption, Substitution or Variation*) (but without any requirement for the consent or approval of the Noteholders), having given not less than 60 nor more than 90 days' notice to the Transfer Agent and the Paying Agent and, in accordance with Condition 18 (*Notices*), notice to the Noteholders (which notice shall be irrevocable), substitute at any time all (but not some only) of any Series of Notes for, or vary the terms of any Series of Notes so that they remain Qualifying Primary Share Capital Securities or become Qualifying Secondary Capital Securities, as the case may be. Subject to the following provisions of this Condition 10.5 and subject to the issue of the certificate of the 2 directors referred to in the definition of "Qualifying Primary Share Capital Securities" or (as the case may be) "Qualifying Secondary Capital Securities" and subject further to the receipt by the Issuer of the opinion of the Independent Investment Bank referred to therein, the Issuer shall, upon expiry of such notice period, substitute or vary the terms of, such Notes in accordance with this Condition 10.5.

In connection with any substitution or variation in accordance with this Condition 10.5, the Issuer shall comply with the rules of BESA or such other (or additional) Financial Exchange on which the Notes are listed.

10.6 Conditions to Redemption, Substitution or Variation

Subject to, as applicable, Condition 10.2 (*Redemption for tax reasons*), Condition 10.3 (*Redemption for regulatory reasons*), Condition 10.4 (*Redemption at the option of the Issuer*) or Condition 10.5 (*Substitution or Variation Instead of Redemption*), Notes may be redeemed, or purchased and cancelled, or substituted or varied, at the option of the Issuer only and provided that:

- 10.6.1 Notes may only be redeemed pursuant to Condition 10.4 (*Redemption at the option of the Issuer*) after a minimum initial period of issue of 5 years from the Issue Date of such Notes; provided that in any case unless the Registrar of Banks determines that the Issuer is duly capitalised the Issuer may not redeem such Notes unless such Notes are replaced by the Issuer with instruments of similar or better quality;
- 10.6.2 the Issuer has, prior to the date scheduled for such redemption or purchase and cancellation, or substitution or variation, obtained the written approval of the same from the Registrar of Banks;
- 10.6.3 such redemption is effected in accordance with the applicable Capital Regulations.

10.7 Partial redemption

If the Notes are to be redeemed in part only on any date in accordance with Condition 10.2 (*Redemption for tax reasons*) or Condition 10.3 (*Redemption for regulatory reasons*) or Condition 10.4 (*Redemption at the option of the Issuer*), as the case may be, each Note shall be redeemed in part in the proportion which the aggregate Principal Amount of the Outstanding Notes to be redeemed on the relevant date fixed for redemption of such Notes bears to the aggregate Principal Amount of all Outstanding Notes on the relevant date fixed for redemption of such Notes.

10.8 No other redemption, substitution or variation

The Issuer shall not be entitled to redeem, or substitute or vary, the Notes otherwise than as provided in Condition 10.1 (*No maturity date*) to Condition 10.7 (*Partial redemption*) inclusive.

10.9 Purchase

Subject to the Issuer satisfying the Solvency Condition and subject to Condition 10.6 (*Conditions to Redemption, Substitution or Variation*), the Issuer or any of its subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

10.10 Cancellation

All Notes so redeemed or purchased by the Issuer may, at its option, be cancelled and may, if cancelled, not be reissued or resold.

11. TAXATION

11.1 All payments of principal and/or interest in respect of the Notes will be made without withholding or deduction for or on account of any Taxes, unless such withholding or deduction is required by Applicable Law.

11.2 The payment of any Taxes by the Issuer as an agent or representative taxpayer for a Noteholder shall not constitute a withholding or deduction for the purposes of this Condition 11.

11.3 If any such withholding or deduction in respect of Taxes being levied or imposed on interest and/or principal payments in respect of any Notes in a Tranche, the Issuer will, subject to the Issuer's right to redeem that Tranche of Notes (in whole or in part) in terms of Condition 10.2 (*Redemption for tax reasons*), pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders of such Notes after such withholding or deduction shall equal the respective amounts of principal and/or interest which would otherwise have been receivable in respect of such Notes in the absence of such withholding or deduction except that no such additional amounts shall be payable with respect to any Note:

11.3.1 held by or on behalf of a Noteholder who is liable for such Taxes in respect of such Note by reason of it having some connection with South Africa other than the mere holding of such Note or the receipt of payments of principal and/or interest in respect of such Note; or

11.3.2 held by or on behalf of a Noteholder which would not be liable for or subject to such withholding or deduction by complying with any statutory requirement or by making a declaration of non-residency or other similar claim for exemption to the relevant tax authority; or

11.3.3 where such withholding or deduction is in respect of Taxes levied or imposed on interest and/or principal payments only by virtue of the inclusion of such payments in the Taxable Income or Taxable Gains of a Noteholder; or

11.3.4 where (in the case of any payment of principal and/or interest which is conditional on surrender of the relevant Certificate in accordance with the Terms and Conditions) the relevant Certificate is surrendered for payment more than 30 days after the Relevant Date, except to the extent that a Noteholder would have been entitled to such additional amounts if it had surrendered the relevant Certificate for payment on such thirtieth day; or

11.3.5 if such withholding or deduction arises through the exercise by the revenue authorities of special powers in respect of tax defaulters; or

11.3.6 any combination of Condition 11.3.1 to Condition 11.3.6 inclusive.

11.4 For the purposes of this Condition 11:

- 11.4.1 "Taxable Income" means any "taxable income" as defined in section 1 of the Income Tax Act;
- 11.4.2 **Taxable Gain** means any "taxable capital gain" as defined in paragraph 1 of the Eighth Schedule to the Income Tax Act.

12. PRESCRIPTION

The Notes will become void unless presented for payment of principal and interest within a period of 3 years after the Relevant Date.

13. EVENTS OF DEFAULT

Notwithstanding any of the provisions below in this Condition 13, the right to institute winding up proceedings is limited to circumstances where payment of principal or interest (as the case may be) has become due and payable. No principal, premium, interest or any other amount will be due unless the Solvency Condition is satisfied. Also, in the case of any interest, payment thereof will not be due if the Issuer has elected not to pay interest pursuant to Condition 6.1 (Non payment of interest) or the Issuer is prohibited from paying interest pursuant to Condition 6.1 (Non payment of interest).

- 13.1 If the Issuer fails to pay any amount of principal or interest (or any other amount) in respect of the Notes of a Series for a period of 7 days or more after the due date for payment thereof each Noteholder of the Notes of that Series may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove a claim in any winding-up of the Issuer, but may take no other action in respect of that failure to pay.
- 13.2 Without prejudice to Condition 13.1, if the Issuer breaches any of its obligations under the Notes of a Series (other than any obligation in respect of the payment of principal or interest on such Notes) then each Noteholder of the Notes of that Series may, subject as provided below, 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 Notes sooner than the same would otherwise have been payable by it.

14. DELIVERY, EXCHANGE OF BENEFICIAL INTERESTS AND REPLACEMENT OF CERTIFICATES

14.1 Exchange of Beneficial Interests

- 14.1.1 The holder of a Beneficial Interest in Notes may, in terms of the Applicable Procedures and subject to section 44 of the Securities Services Act, by written notice to the holder's nominated Participant (or, if such holder is a Participant, the Central Securities Depository), request that such Beneficial Interest be exchanged for Notes in definitive form represented by an Individual Certificate (the "**Exchange Notice**"). The Exchange Notice shall specify the name, address and bank account details of the holder of the Beneficial Interest.
- 14.1.2 The holder's nominated Participant will, following receipt of the Exchange Notice, through the Central Securities Depository, notify the Transfer Agent that it is required to exchange such Beneficial Interest for Notes represented by an Individual Certificate. The Transfer Agent will, as soon as is practicable but within 14 days after receiving such notice, in accordance with the Applicable Procedures, procure that an Individual Certificate is prepared, authenticated and made available for delivery, on a Business Day falling within the aforementioned 14 day period, to the holder of the Beneficial Interest at the Specified Office of the Transfer Agent; provided that joint holders of a Beneficial Interest shall be entitled to receive only one Individual Certificate in respect of that joint holding, and delivery to one of those joint holders shall be delivery to all of them.
- 14.1.3 In the case of the exchange of a Beneficial Interest in a Tranche of Notes which is lodged in the Central Securities Depository under a Global Certificate:
- 14.1.3.1 the Central Securities Depository's Nominee will surrender the relevant Global Note Certificate to the Transfer Agent at its Specified Office;
- 14.1.3.2 the Transfer Agent will, in accordance with the Applicable Procedures, procure the splitting of the relevant Global Certificate and the preparation of a new Global Certificate representing the balance of the Notes (if any) in the relevant Tranche still held by the Central Securities Depository;
- 14.1.3.3 the Issuer will, through its nominated Participant, procure that the new Global Certificate is deposited with and lodged in the Central Securities Depository and registered in the Register in the name of the Central Securities Depository's Nominee;

- 14.1.3.4 the original Global Certificate shall be cancelled and retained by the Transfer Agent.
- 14.1.4 In the case of the exchange of a Beneficial Interest in Notes issued in uncertificated form:
- 14.1.4.1 the Central Securities Depository's Nominee will surrender (through the Central Securities Depository system) such uncertificated Notes to the Transfer Agent at its Specified Office;
- 14.1.4.2 the Transfer Agent will obtain the release of such uncertificated Notes from the Central Securities Depository in accordance with the Applicable Procedures.
- 14.1.5 An Individual Certificate shall, in relation to a Beneficial Interest:
- 14.1.5.1 in a Tranche of Notes which is lodged in the Central Securities Depository under a Global Certificate, represent that number of Notes as have, in the aggregate, the same aggregate Principal Amount of Notes standing to the account of the holder of such Beneficial Interest; or
- 14.1.5.2 in any number of Notes issued in uncertificated form of a particular aggregate Principal Amount standing to the account of the holder thereof, represent that number of Notes of that aggregate Principal Amount,

as the case may be, and shall otherwise be in such form as may be agreed between the Issuer and the Transfer Agent; provided that if such aggregate Principal Amount is equivalent to a fraction of ZAR1 000 000 (or the equivalent thereof in the Specified Currency if the Specified Currency is not ZAR) or a fraction of any multiple thereof, such Individual Certificate shall be issued in accordance with, and be governed by, the Applicable Procedures.

14.2 **Costs**

The costs and expenses of the printing, issue and delivery of each Global Certificate shall be borne by the Issuer. The costs and expenses of the printing, issue and delivery of each Individual Certificate and all taxes or governmental charges that may be imposed in relation to such Individual Certificate and/or the printing, issue and delivery of such Individual Certificate shall be borne by the holder of the Notes represented by that Individual Certificate. Separate costs and expenses relating to the provision of Individual Certificates and/or the transfer of Notes may be levied by other persons, such as a Participant, under the Applicable Procedures, and such costs and expenses shall not be borne by the Issuer. The costs and expenses of the delivery of Individual Certificates otherwise than by ordinary post and, if the Issuer shall so require, taxes, governmental charges and/or insurance charges that may be imposed in relation to such mode of delivery shall be borne by the Noteholder.

14.3 **Death and sequestration or liquidation of Noteholder**

Any person becoming entitled to Registered Notes in consequence of the death, sequestration or liquidation of the holder of such Notes may upon producing such evidence that he holds the position in respect of which he proposes to act under this Condition 14.3 or of his title as the Issuer and the Transfer Agent shall require, be registered himself as the holder of such Notes or, subject to the requirements of the Applicable Procedures, this Condition 14.3 and Condition 15.1 (*Transfer of Registered Notes*), may transfer such Notes. The Issuer and the Paying Agent and (if applicable) the Central Securities Depository and the relevant Participant shall be entitled to retain any amount payable upon the Notes to which any person is so entitled until such person shall be registered as aforesaid or shall duly transfer the Notes.

14.4 **Replacement of Certificates**

If any Certificate is mutilated, defaced, stolen, destroyed or lost it may be replaced at the Specified Office of the Transfer Agent, on payment by the claimant of such costs and expenses as may be incurred in connection therewith and the provision of such indemnity as the Issuer and the Transfer Agent may reasonably require. Mutilated or defaced Certificates must be surrendered at the Specified Office of the Transfer Agent before replacements will be issued.

15. **TRANSFER OF NOTES**

15.1 **Transfer of Registered Notes**

15.1.1 *Transfer of Beneficial Interests in Notes held in the Central Securities Depository*

- 15.1.1.1 Beneficial Interests may be transferred only in terms of the Applicable Procedures through the Central Securities Depository.

- 15.1.1.2 Transfers of Beneficial Interests to and from clients of Participants occur by way of electronic book entry in the securities accounts maintained by the Participants for their clients, in accordance with the Applicable Procedures. Transfers of Beneficial Interests among Participants occur through electronic book entry in the central securities accounts maintained by the Central Securities Depository for the Participants, in accordance with the Applicable Procedures. Transfers of Beneficial Interests in Notes will not be recorded in the Register and the Central Securities Depository's Nominee will continue to be reflected in the Register as the Noteholder of such Notes notwithstanding such transfers.
- 15.1.2 *Transfer of Notes represented by Certificates*
- 15.1.2.1 In order for any transfer of Notes represented by a Certificate to be recorded in the Register and for such transfer to be recognised by the Issuer:
- 15.1.2.1.1 each transfer of a Note represented by a Certificate must be embodied in a Transfer Form;
- 15.1.2.1.2 the Transfer Form must be signed by the registered Noteholder and the transferee, or any authorised representative of that registered Noteholder and/or transferee;
- 15.1.2.1.3 each transfer of a Note represented by a Certificate shall only be in the Specified Denomination or any multiple thereof and consequently the Issuer will not recognise any fraction of the Specified Denomination; and
- 15.1.2.1.4 the Transfer Form must be delivered to the Transfer Agent at its Specified Office together with the relevant Certificate for cancellation.
- 15.1.3 Notes represented by a Certificate may be transferred in whole or in part in amounts of not less than the Specified Denomination or any multiple thereof.
- 15.1.4 The transferor of any Notes represented by a Certificate shall be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.
- 15.1.5 Before any transfer of Notes represented by a Certificate is registered in the Register, all relevant transfer taxes (if any) must have been paid by the transferor and/or the transferee and such evidence must be furnished as the Issuer and the Transfer Agent may reasonably require as to the identity and title of the transferor and the transferee.
- 15.1.6 Subject to this Condition 15.1, the Transfer Agent will, within 3 Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any Applicable Laws and/or Applicable Procedures), record the transfer of Notes represented by a Certificate in the Register, and authenticate and deliver to the transferee at the Transfer Agent's Specified Office (at the risk of the transferee) a new Certificate in respect of the Notes transferred.
- 15.1.7 Where a Noteholder has transferred part only of his holding of Notes represented by a Certificate, the Transfer Agent will record the transfer of such Notes in the Register, and authenticate and deliver to such Noteholder at the Transfer Agent's Specified Office (at the risk of such Noteholder) a new Certificate in respect of the balance of the Notes held by such Noteholder.
- 15.1.8 If a transfer of any Notes represented by a Certificate is registered in the Register, the Transfer Form and cancelled Certificate will be retained by the Transfer Agent.
- 15.1.9 No transfer of Notes represented by a Certificate will be registered while the Register is closed.
- 15.1.10 In the event of a partial redemption of Notes, the Issuer and the Transfer Agent shall not be required to register the transfer of such Notes (or any portion of such Notes) during the period beginning on the tenth day before the relevant Redemption Date and ending on the relevant Redemption Date.

16. REGISTER

- 16.1 The Register shall be kept at the Specified Office of the Transfer Agent. The Register shall reflect the serial number of Certificates issued in respect of Notes Outstanding. The Register shall contain the name, address, and bank account details of the Noteholders of Registered Notes. The Register shall set out the Principal Amount of the Notes issued to such Noteholders and shall show the date of such issue. The Register shall be open for inspection during the normal business hours of the Transfer Agent to any Noteholder or any person authorised in writing by any Noteholder. The Register shall be closed during the Books Closed Period. The Transfer Agent will only recognize, as registered holder of a Note represented by a Certificate, the Noteholder recorded as such in the Register at 17h00 (South African time) on the relevant Last Day to

Register. The Issuer and the Transfer Agent shall not be bound to enter any trust into the Register or to take notice of any or to accede to any trust executed, whether express or implied, to which any Note may be subject.

- 16.2 The Transfer Agent shall alter the Register in respect of any change of name, address or bank account number of any of the Noteholders of any Registered Notes of which it is notified in accordance with the Agency Agreement provided that the Register will only be altered to reflect a transfer of Notes represented by Certificates if such transfer is carried out in accordance with Condition 15.1 (*Transfer of Registered Notes*).

17. TRANSFER AGENT, CALCULATION AGENT AND PAYING AGENT

- 17.1 The Issuer is entitled to vary or terminate the appointment of the Transfer Agent, the Calculation Agent and the Paying Agent and/or appoint additional or other agents and/or approve any change in the Specified Office through which any agent acts, provided that there will at all times be a Transfer Agent, a Calculation Agent and a Paying Agent with a Specified Office in such place as may be required by the Applicable Procedures. Any third party appointed by the Issuer as Transfer Agent, Paying Agent and Calculation Agent shall act solely as the agents of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with any Noteholders.
- 17.2 If the Issuer elects to appoint, in relation to one or more Tranche(s) of Notes or a Series of Notes, another entity as Calculation Agent or Paying Agent, as the case may be, that other entity, on execution of an Agency Agreement, shall serve in that capacity in respect of those Notes.
- 17.3 To the extent that the Issuer acts as the Transfer Agent, Calculation Agent or Paying Agent, all references in the Terms and Conditions to:
- 17.3.1 any action, conduct or function in such role shall be understood to mean that the Issuer shall perform such action, conduct or function itself; and
- 17.3.2 requirements for consultation, indemnification by or of, payment by or to, delivery by or to, notice by or to, consent by or to or agreement between the Issuer and such Transfer Agent, Calculation Agent or Paying Agent (as the case may be) shall be disregarded to the extent that the Issuer performs such role.

18. NOTICES

- 18.1 All notices to be given to Noteholders of Registered Notes shall be sent by registered mail or delivered by hand to their addresses appearing in the Register. Any such notice shall be deemed to have been given on the 7th day after the day on which it is mailed and on the day of delivery if delivered. In the event of there being any Individual Certificates in issue, notices to such Noteholders shall be published: (i) in an English language daily newspaper of general circulation in South Africa; and (ii) for so long as any of the Notes are listed on BESA, a daily newspaper of general circulation in Johannesburg or on any electronic news service of general distribution, as the case may be, and any such notice shall be deemed to have been given on the date of first publication.
- 18.2 For so long as the Notes are held in their entirety by the Central Securities Depository, there may be substituted for publication as contemplated in Condition 18.1 the delivery of the relevant notice to the Central Securities Depository's Nominee (as the registered holder of such Notes), the Participants and BESA for communication by them to the holders of Beneficial Interests in such Notes, in accordance with the Applicable Procedures.
- 18.3 Subject to Condition 18.4, a notice to be given by any Noteholder to the Issuer shall be in writing and given by lodging (either by hand delivery or posting by registered mail) that notice, together with (if applicable) a certified copy of the relevant Individual Certificate, at the Specified Office of the Transfer Agent. Such notice shall be deemed to have been received by the Issuer, if delivered by hand, on the second Business Day after being hand delivered or, if sent by registered mail, 7 days after posting.
- 18.4 A notice to be given by any holder of a Beneficial Interest to the Issuer shall be in writing and given via such holder's Participant, in accordance with the Applicable Procedures, and in such manner as the Issuer and the relevant Participant may approve for this purpose.

19. MEETINGS OF NOTEHOLDERS

19.1 Directions of Noteholders

- 19.1.1 The provisions with regard to meetings of Noteholders are set out in this Condition 19.

- 19.1.2 Every director, the secretary of and the attorney to the Issuer and every other person authorised in writing by the Issuer, may attend and speak at a meeting of Noteholders, but will not be entitled to vote, other than as a Noteholder or proxy or duly authorised representative of a Noteholder.
- 19.1.3 A meeting of Noteholders will have power, in addition to all powers specifically conferred elsewhere in the Terms and Conditions:
- 19.1.3.1 by Ordinary Resolution of the Noteholders to give instructions to the Issuer in respect of any matter not covered by the Terms and Conditions (but without derogating from the powers or discretions expressly conferred upon the Issuer by the Terms and Conditions or imposing obligations on the Issuer not imposed or contemplated by the Terms and Conditions or otherwise conflicting with or inconsistent with the provisions of the Terms and Conditions);
- 19.1.3.2 by Extraordinary Resolution:
- 19.1.3.2.1 of the Noteholders to bind all of the Noteholders to any compromise or arrangement;
- 19.1.3.2.2 of a particular Series of Noteholders to agree to any variation or modification of any rights of that Series of Noteholders.
- 19.1.4 Unless otherwise specified, resolutions of Noteholders will require an Ordinary Resolution to be passed.

19.2 Convening of meetings

- 19.2.1 The Issuer may at any time convene a meeting of all Noteholders or separate meetings of holders of any Series of Notes (a "**meeting**" or the "**meeting**").
- 19.2.2 The Issuer will convene (i) a meeting of Noteholders upon the requisition in writing of Noteholders holding not less than 10% of the aggregate Principal Amount of all of the Notes Outstanding or (ii) a separate meeting of holders of any Series of Notes upon the requisition in writing of the Noteholders in that Series holding not less than 10% of the aggregate Principal Amount of the Notes Outstanding held by the holders of that Series, as the case may be (a "**requisition notice**").
- 19.2.3 Whenever the Issuer wishes to convene a meeting, it will forthwith give notice in writing to the Noteholders in the manner prescribed in Condition 18 (*Notices*) of the place, day and hour of the meeting, the nature of the business to be transacted at the meeting and the resolutions to be proposed and considered at the meeting.
- 19.2.4 All meetings of Noteholders will be held in South Africa.

19.3 Requisition

- 19.3.1 A requisition notice will state the nature of the business for which the meeting is to be held and the resolutions to be proposed and considered at the meeting and will be deposited at the Specified Office of the Issuer.
- 19.3.2 A requisition notice may consist of several documents in like form, each signed by one or more requisitionists.

19.4 Convening of meetings by requisitionists

If the Issuer does not convene a meeting to be held within 30 days of the deposit of a requisition notice, the requisitionists may themselves convene the meeting, but the meeting so convened will be held within 90 days from the date of such deposit and will be convened as nearly as possible in the same manner as that in which meetings may be convened by the Issuer. Whenever the requisitionists are about to so convene any such meeting, requisitionists shall forthwith give notice of the meeting to the Issuer.

19.5 Notice of meeting

- 19.5.1 Unless the holders of at least 90% of the aggregate Principal Amount of the Notes Outstanding or Series of Notes Outstanding, as the case may be, agree in writing to a shorter period, at least 21 days' written notice, specifying the place, day and time of the meeting, the nature of the business for which the meeting is to be held and the resolutions to be proposed and considered at the meeting, will be given to each Noteholder and to the Issuer if applicable.

19.5.2 The accidental omission to give such notice to any Noteholder or the Issuer, as the case may be, or the non-receipt of any such notice, will not invalidate the proceedings at a meeting.

19.6 **Quorum**

19.6.1 A quorum at a meeting shall:

19.6.1.1 for the purposes of considering an Ordinary Resolution, consist of Noteholders present in person or by proxy and holding in the aggregate not less than one-third of the aggregate Principal Amount of the Notes Outstanding or Series of Notes Outstanding, as the case may be;

19.6.1.2 for the purposes of considering an Extraordinary Resolution, consist of Noteholders present in person or by proxy and holding in the aggregate not less than a clear majority of the aggregate Principal Amount of the Notes Outstanding or Series of Notes Outstanding, as the case may be.

19.6.2 No business will be transacted at a meeting of the Noteholders unless a quorum is present at the time when the meeting proceeds to business.

19.6.3 If, within 15 minutes from the time appointed for the meeting, a quorum is not present, the meeting will, if it was convened on the requisition of Noteholders, be dissolved. In every other case the meeting will stand adjourned to the same day in the third week thereafter, at the same time and place, or if that day is not a Business Day, the next succeeding Business Day. If at such adjourned meeting a quorum is not present the Noteholders present in person or by proxy will constitute a quorum for the purpose of considering any resolution, including an Extraordinary Resolution.

19.7 **Chairman**

The chairman of the meeting shall be appointed by the Issuer. If the Issuer or the person appointed by the Issuer to preside as chairman of the meeting is not present within 10 minutes of the time appointed for the holding of the meeting, the Noteholders then present will choose one of their own number to preside as chairman.

19.8 **Adjournment**

19.8.1 Subject to the provisions of this Condition 19, the chairman may, with the consent of, and will on the direction of, the meeting adjourn the meeting from time to time and from place to place.

19.8.2 No business will be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

19.8.3 At least 14 days' written notice of the place, day and time of an adjourned meeting will be given by the Issuer to each Noteholder. In the case of a meeting adjourned in terms of Condition 19.6.3, the notice will state that the Noteholders present in person or by proxy at the adjourned meeting will constitute a quorum.

19.9 **How questions are decided**

19.9.1 At a meeting, a resolution put to the vote will be decided on a poll.

19.9.2 In the case of an equality of votes, the chairman will not be entitled to a casting vote in addition to the vote, if any, to which he is entitled.

19.10 **Votes**

Voting shall only take place on a poll and not on a show of hands. On a poll every Noteholder, present in person or by proxy, will be entitled to that proportion of the total votes which the aggregate Principal Amount of the Notes Outstanding held by such Noteholder bears to the aggregate Principal Amount of all of the Notes Outstanding or Class of Notes, as the case may be. In relation to joint Noteholders, the vote may be exercised only by that Noteholder whose name appears first on the Register in the event that more than one of such Noteholders is present, in person or by proxy, at the meeting. The Central Securities Depository's Nominee (as the registered holder of Notes represented by a Global Certificate) shall vote at any such meeting on behalf of the holders of Beneficial Interests in such Notes in accordance with the instructions to the Central Securities Depository's Nominee from such holders conveyed through the Participants in accordance with the Applicable Procedures.

19.11 Proxies and representatives

- 19.11.1 Noteholders present either in person or by proxy may vote on a poll. A Noteholder may by an instrument in writing (a "**proxy form**") signed by the Noteholder (or his duly authorised agent) or, in the case of a juristic person, signed on its behalf by a duly authorised officer of the juristic person, appoint any person (a "**proxy**" or "**proxies**") to act on his or its behalf in connection with any meeting or proposed meeting.
- 19.11.2 A person appointed to act as proxy need not be a Noteholder.
- 19.11.3 The proxy form will be deposited at the Specified Office of the Issuer or at the Specified Office of the Transfer Agent, as the case may be, not less than 24 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such proxy proposes to vote.
- 19.11.4 No proxy form will be valid after the expiration of 6 months from the date named in it as the date of its execution.
- 19.11.5 Notwithstanding Condition 19.11.4, a proxy form will be valid for any adjourned meeting, unless the contrary is stated thereon. A vote given in accordance with the terms of a proxy form will be valid notwithstanding the previous death or incapacity of the principal or revocation or amendment of the proxy form or of any of the Noteholder's instructions pursuant to which the proxy form was executed or of the authority under which the proxy form was executed or the transfer of Notes in respect of which the proxy was given, provided that no intimation in writing of such death, incapacity, revocation or amendment shall have been received by the Issuer at its Specified Office or the Transfer Agent at its Specified Office, as the case may be, more than, and that the transfer has been given effect to less than, 12 hours before the commencement of the meeting or adjourned meeting at which the proxy is to be used.
- 19.11.6 Any Noteholder which is a juristic person may authorise any person to act as its representative in connection with any meeting or proposed meeting of Noteholders by resolution of the directors or other governing body of the juristic person. Any reference in the Terms and Conditions to a Noteholder present in person includes the duly authorised representative of a Noteholder which is a juristic person.

19.12 Minutes

- 19.12.1 The Issuer will cause minutes of all resolutions and proceedings of meetings to be duly entered in the minute books of the Issuer.
- 19.12.2 Any such minutes as aforesaid, if purporting to be signed by the chairman of the meeting at which such resolutions were passed or proceedings held or by the chairman of the next succeeding meeting, will be receivable in evidence without any further proof, and until the contrary is proved, a meeting of Noteholders or Class of Noteholders, as the case may be, in respect of the proceedings of which minutes have been so made will be deemed to have been duly held and convened and all resolutions passed thereat, or proceedings held, to have been duly passed and held.

20. AMENDMENT OF THE TERMS AND CONDITIONS

- 20.1 The Issuer may effect, without the consent of any Noteholder, any amendment to the Terms and Conditions which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of South Africa.
- 20.2 Save as is provided in Condition 20.1, no amendment to the Terms and Conditions may be made unless such amendment is in writing and signed by or on behalf of the Issuer and such amendment is (i) approved by an Extraordinary Resolution of all of the Noteholders or the Noteholders of a particular Series of Notes, as the case may be, or (ii) is signed by or on behalf of Noteholders holding not less than 75% of the aggregate Outstanding Principal Amount of all of the Notes or of a particular Series of Notes, as the case may be. The Issuer will call a meeting of all of the Noteholders or a meeting of Noteholders of that Series of Notes, as the case may be. Such meeting or meetings will be regulated by the provisions set out in Condition 19 (*Meetings of Noteholders*).
- 20.3 Any amendment to the Terms and Conditions made in terms of this Condition 20 will be binding on all of the Noteholders or (as applicable) the Noteholders of a particular Series of Notes and such amendment will be notified to such Noteholders in accordance with Condition 18 (*Notices*) as soon as practicable thereafter.

21. FURTHER ISSUES

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

USE OF PROCEEDS

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

DESCRIPTION OF THE ISSUER

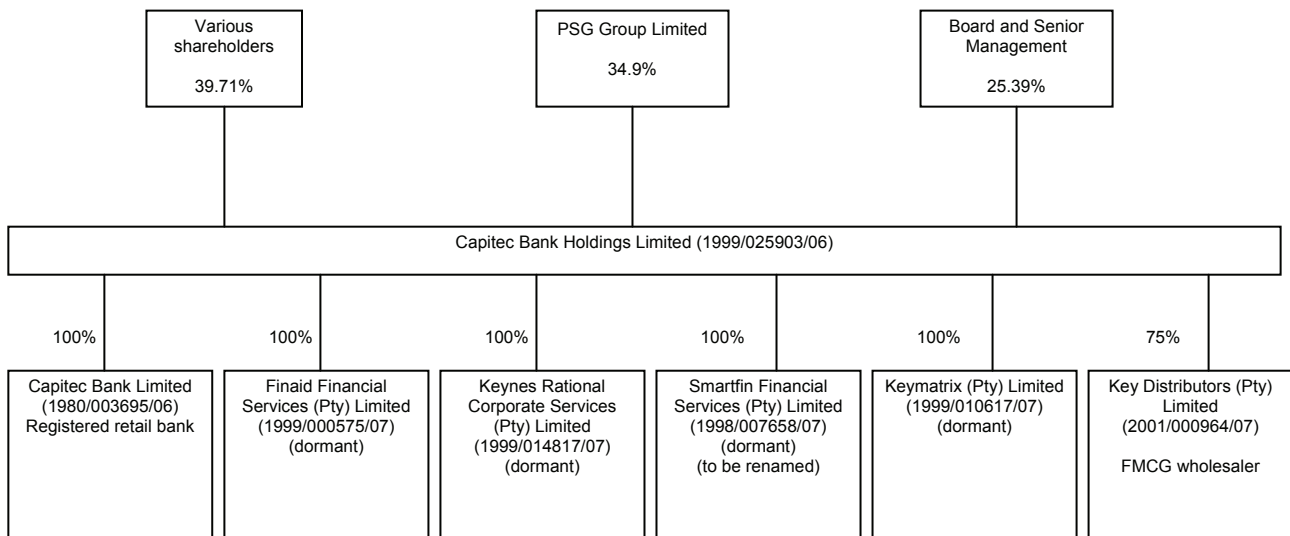
1. HISTORY

The Keynes Rational group (“the Keynes group”) obtained a banking license and restructured into a retail banking group, the Capitec Bank Holdings Limited (“Capitec Holdings” and “Capitec”) Group on 1 March 2001. The banking subsidiary through which the business is conducted was renamed Capitec Bank Limited (“Capitec Bank”, “the bank” and the “Issuer”) and is registered as a bank in terms of the Banks Act, 1990 (the “Banks Act”). Capitec Holdings listed on JSE Limited (the “JSE”) on 18 February 2002 and is listed in the “Banks’ sector.

2. BUSINESS CASE

Capitec Holdings and its subsidiaries (the “Capitec Group”) focus on providing retail banking services to all individuals based on the principles of simplicity, affordability, accessibility and personal service. The Capitec Group subscribes to the Financial Sector Charter and the Codes of Good Practice which aim to facilitate broad based black participation in the South African economy.

3. CAPITEC GROUP STRUCTURE



Capitec Bank is controlled by its listed holding company, Capitec Holdings, a registered bank controlling company. Its main operating interest is the wholly owned Capitec Bank. Three of the subsidiaries in the Capitec Group, being Finaid Financial Services (Pty) Limited, Keynes Rational Corporate Services (Pty) Limited and Keymatrix (Pty) Limited, are currently dormant. These companies formed part of the Keynes group structure. The business operations of the Keynes group were incorporated in Capitec Bank effective 1 March 2001, subsequent to which the companies of the Keynes group became dormant. Smartfin Financial Services (Pty) Limited also formed part of the Keynes group.

Key Distributors (Pty) Limited (“Key”), in which Capitec has a 75% interest, is a fast moving consumer goods company. The company was started in 2001 as a pilot project to develop a *modus operandi* to provide credit to small entrepreneurs such as spaza shop owners. It has since developed into a cash business and over the last two years has made a relatively modest contribution to the Capitec Group’s profit. Plans are afoot to expand Key’s footprint to other metropolitan areas and for a potential BEE investment at shareholder level.

4. SHAREHOLDING

The main shareholders of Capitec Holdings are:

- PSG Group Limited, a JSE listed financial services company holding a 34.9% interest;
- Limietberg Beleggings (Pty) Limited representing an interest of the chairman of the board (*Mr M S du P le Roux*) of Capitec Holdings equal to 14.28%; and
- Coral Lagoon Investments 194 (Pty) Limited (“Coral”), representing the interest of a BEE consortium of black individuals, trusts and companies, holding 12.21%. Broad based and direct black ownership in Capitec Holdings currently comprises 16% consisting of Coral, Thembeke Capital (Pty) Limited (3.53%) and two black directors (0.25%).

5. BEE TRANSACTION

In February 2007, Capitec issued 10 million ordinary shares (12.21%) at R300 million (“the Capitec shares”) to a BEE consortium comprising of various black individuals, companies and trusts (“the consortium”). The Capitec shares were issued to Coral, a wholly owned subsidiary of Ash Brook Investments 15 (Pty) Limited (“Ash Brook”) which in turn is owned by the consortium. The structure of the BEE consortium is detailed below. In terms of the agreement to issue the shares, the Capitec Bank Group Employee Empowerment Trust (“the Capitec trust”) obtained a 5% stake in the BEE consortium. In terms of the agreement to issue the Capitec shares, Tshepo Mahloele was appointed to the boards of Capitec and Capitec Bank in April 2007.

For as long as the Codes of Good Practice (“the Codes”) are applicable, the interest of the consortium in the Capitec Group may only be sold to an individual or legal entity which meets the definition of “black” as contained in the Broad-Based Black Economic Empowerment Act, No 53 of 2003 (“BEE Act”).

In the event that the enabling Black Economic Empowerment legislation, statutes, regulations or any relevant codes of conduct are rescinded, abolished or retracted the consortium will be entitled to trade the Capitec shares freely.

6. CAPITEC BANK AND THE FINANCIAL SECTOR CHARTER

Capitec Bank has been rated for Black Economic Empowerment purposes in terms of both the Financial Sector Charter scorecard as well as the Codes issued under Section 9(1) of the BEE Act.

Under the Financial Sector Charter a score of 41.56%, equal to a C-rating was achieved. Under the Codes, the score is 55.06%. This is equal to a BEE procurement recognition level of 80%.

Capitec Bank will continue to be scored in terms of both ratings until such time as the Financial Sector Charter has been aligned with the Codes and has been gazetted in terms of the BEE Act, thus obtaining equal status to that of the Codes. Alternatively, should the Financial Sector Charter fall away, the score in terms of the Codes will prevail.

7. BOARD OF DIRECTORS

Structure of the Board

The full names and profiles of the directors of Capitec Bank (the "Board") as at the Programme Date are set out below:

Non-executive Directors:

Tshepo Daun Mahloele (B.Proc): Mr Mahloele is a member of the Directors' Affairs Committee. Mr Mahloele is the chief executive officer of the Pan African Infrastructure Development Fund and deputy chairman of Circle Capital Ventures. He has more than 14 years of experience in project finance, private equity, investment banking and corporate finance. Previously he was head of Corporate Finance and the Isibaya Fund at the Public Investment Corporation ("PIC"). Prior to joining the PIC he was Head of Private Sector Investments at the Development Bank of Southern Africa ("DBSA"). Before joining the DBSA he was Managing Director of Solutions at Work. Mr Mahloele has also held positions at CDC Group Plc (formerly the Commonwealth Development Corporation), Rand Merchant Bank and National Sorghum Breweries.

Petrus Johannes Mouton (Bcomm (Maths)): Mr Mouton is a member of the Directors' Affairs Committee and the Risk and Capital Management Committee. He is the managing director of Thembeke Capital, a black owned and controlled BEE investment holding company. He serves as non-executive director on the boards of various companies including Erbacon Investment Holdings an AltX listed company. He has been active in the investment and financial services industry since 1999.

Chris Adriaan Otto (BComm LLB): Mr Otto is chairman of the Remuneration Committee. He is a member of the Directors' Affairs Committee and the Risk and Capital Management Committee. Mr Otto has been an executive director of PSG Group since its formation. He has been involved in the establishment of the PSG Group's investment in microfinance. He serves on the boards of various companies including Zeder Investments.

Independent non-executive directors:

Kevin Alexander Hedderwick: Mr Hedderwick is a member of the Directors' Affairs Committee and the Remuneration Committee. He is the chief operating officer of Famous Brands. He has an excellent business retail record, including food, beverages and franchising. He has held senior executive positions in a number of prominent companies including SAB, Distell and Foodcorp. Prior to joining the Famous Brands Group, he was a partner and managing director of Keg Franchising.

Michiel Scholtz du Pré le Roux (BComm LLB) (Chairman): Mr le Roux was appointed chairman of Capitec Bank Holdings and Capitec Bank on 1 April 2007. He is the chairman of the Directors' Affairs Committee. He is one of the founders of Capitec Bank and was the chief executive officer of the bank until 2004. Michiel is also chairman of Quince Capital and a board member of Zeder Investments. Michiel was managing director of Distillers Corporation (SA) Ltd from 1979 to 1993 and from 1995 to 1998 managing director of Boland PKS, NBS Boland and BoE Bank

Merlyn Claude Mehl (Prof) (PhD (Physics)): Professor Mehl is the chairman of the Risk and Capital Management Committee and is a member of the Directors' Affairs Committee and the Audit Committee. He was previously Chancellor of Peninsula Technikon and Chief Executive of the Independent Development Trust.

Nonhlanhla Sylvia Mjoli-Mncube (MA City and Regional Planning): Ms Mjoli-Mncube is a member of the Directors' Affairs Committee and the Audit Committee. She is economic adviser to the deputy president of South Africa. Ms Mjoli-Mncube has chaired several companies and has worked in leadership positions in South Africa and the USA. She presently runs her own investment company, Mjoli Development Company, and sits on the boards of, among others, Cadiz Holdings and Pioneer Foods.

Jan Georg Solms (BAcc, CTA, CA(SA)): Mr Solms is a member of the Directors' Affairs Committee, the Remuneration Committee and the Audit Committee. Mr Solms has been a member of the JSE since 1981, and is a stockbroker and executive director of stockbrokers Independent Securities Holdings.

Jacobus Pieter van der Merwe (BA, CTA, CA(SA)): Mr Van der Merwe is the chairman of the Audit Committee and is a member of the Directors' Affairs Committee and the Risk and Capital Management Committee. He commenced his career in banking as chief accountant at Boland Bank in 1974 after which he joined Volkskas Bank as general manager of finance in 1983. After the amalgamation of Bankorp and

Absa he was appointed general manager Commercial Bank, responsible for Absa Western Cape (1995 – 1999). In 2000 he was appointed operating executive of Commercial Bank Absa, responsible for Retail Sales, Home Loans and the Southern Retail Regions. In 2001 he was appointed as an executive director of Absa. For the first three years he was responsible for the Retail Banking Segment, Flexi Banking Segment (including the resolving of Unifer) and Home Loans and thereafter, up to his retirement in 2006, he was responsible for Group Administration, Group Information Management, Group IT, Group Credit and Risk Management.

Executive directors:

Riaan Stassen (BComm (Hons), CA(SA)) : Mr Stassen joined Capitec Bank as managing director in 2000 and was appointed Chief Executive Officer of Capitec and Capitec Bank effective 31 March 2004. He is the chairman of the Executive Management Committee and the Management Committee. He gained extensive experience in retail and banking and held senior positions in both environments. Riaan was awarded the Cape Times/KPMG Business Personality of the Year award on 25 October 2007. The nomination criteria for this award included business and entrepreneurial excellence and outstanding company performance.

André Pierre du Plessis (BComm (Hons), CA(SA)) : Mr du Plessis is the Financial Director of the Capitec Group. He is a member of the Executive Management Committee and the Management Committee. Mr Du Plessis has over 20 years' business advisory, financial consulting & strategic and financial management experience. He was a partner at Arthur Andersen where he worked from 1986 to 1996, and was the chief executive – financial management of Boland PKS, a division of BOE Bank Limited, from 1996 to 2000.

Board functioning and effectiveness

The Board meets six times per annum. The Board operates in terms of an approved charter which, apart from detailing the powers, duties and responsibilities of the Board, also specifies the reserved powers of the Board.

To allow non-executive directors the opportunity to familiarise themselves with the Capitec Bank business outside of Board meetings, they are invited to executive meetings and an annual Board conference is held at which senior managers present the various aspects of the Capitec Bank business to directors. Senior managers are also invited from time to time to make short presentations on key issues in their respective business areas at board meetings. This approach facilitates access by directors to Capitec Bank information, records, documents and property.

The Board, chaired by an independent non-executive director, is responsible for the strategic direction of Capitec Bank and annually approves a detailed budget, supported by a business plan and a written exposition of the strategy of Capitec Bank. The Board has established various Board Committees to monitor the implementation of the Board's plans and strategies.

The Directors' Affairs Committee assesses, among other things, the skills needs of the Board and annually performs an appraisal of the Board's performance. The Directors' Affairs Committee is also responsible for recruitment and selection of new directors and recommends new appointees (selected on the basis of skill and experience) to the Board for approval, subject to the approval of the Registrar of Banks.

To facilitate continuity of the Board, one third of the Board retires at each annual general meeting. To date, the retirees have been re-elected as directors by shareholders.

The roles and responsibilities of the Chairman and Chief Executive Officer are separated. Capitec Bank has an independent non-executive Chairman, with proven business acumen and of good standing in the South African business community.

The Chairman:

- participates actively in the selection of directors; and
- ensures that all directors are given an opportunity to add value to the formulation of the strategy of Capitec Bank.

The Chief Executive Officer's responsibilities include:

- developing and implementing a strategy for Capitec Bank;
- taking initiative in managing relationships with stakeholders and the investment public in general; and
- acting as the chief spokesperson on behalf of Capitec Bank.

The performance of the Chief Executive Officer and the Board as a whole, including the Board Committees, is appraised at least annually.

The Board has delegated certain powers to management with due regard to potential conflict between fiduciary responsibility and operational efficiency, while simultaneously retaining effective control over Capitec Bank. Information assessed by the Board comprises financial as well as non-financial information and enables the Board to assess the adequacy and efficiency of internal controls in operation from time to time. The Board ensures that Capitec Bank is managed ethically and in compliance with the highest standards of corporate governance.

A formal orientation programme consisting of extensive discussions on Capitec Bank's business environment and operations is held with new directors. In addition, directors are provided with company records such as copies of Board minutes, applicable legislation and Board Committee charters. Directors are invited to attend presentations by independent specialists on matters relevant to the Board in the Capitec Bank environment and, when considered necessary, such presentations are arranged in-house. Directors are also offered the opportunity to attend the industry-specific training initiated by the Registrar of Banks.

The Remuneration Committee considers matters relating to director and executive remuneration. The remuneration of directors is disclosed in the annual financial statements of the Capitec Group.

Company secretary's role

The company secretary oversees corporate governance within Capitec Bank, supports the Chairman in ensuring the effective functioning of the Board and provides the Board and directors individually with guidance on the proper discharging of their responsibilities.

As such the company secretary:

- strives to inform the Board of relevant legislation;
- makes information on Capitec Bank available to Board members;
- ensures compliance with statutory and regulatory matters; and
- acts as primary point of contact with shareholders.

8. MANAGEMENT AND BOARD COMMITTEES

To assist the Board in reviewing processes and procedures to determine the effectiveness of internal systems of control in Capitec Bank, the Board has established Board Committees with specific mandates to cover all aspects of the Capitec Bank business. Board Committees have clearly defined, written terms of reference approved by the Board, defining the role and function, structure and proceedings, responsibility and scope of authority of these Committees. To this end, each Board Committee derives its authority and responsibilities from a Board-approved charter. Board Committee activities are disclosed fully to the Board.

The Board Committees fulfil an essential role in assisting the Board in the performance of its duties. The Board Committees monitor the implementation of Board plans and strategies and report their findings to the Board, thereby ensuring that the decision making capability of the Board and the accuracy of its reporting and financial results are maintained at high levels.

Executive Management Committee

The Executive Management Committee meets once a week and is responsible for operational decision making and approvals of an administrative nature on an ongoing basis. The Executive Management Committee is chaired by the Chief Executive Officer.

The members of the Executive Management Committee as at the Programme Date are:

- R Stassen (Chief Executive Officer);
- AP du Plessis (Financial Director);
- GM Fourie (Executive: Operations); and
- CG van Schalkwyk (Executive: Risk Management and Company Secretary).

Management Committee

The Management Committee meets on an informal basis three times a week to discuss relevant issues emanating from the activities of the various divisions and formally, once a month and is responsible for operational decision making, the day-to-day management of Capitec Bank's operations and the implementation of strategic decisions approved by the Board. The Management Committee is chaired by the Chief Executive Officer.

The members of the Management Committee as at the Programme Date are:

- R Stassen (Chief Executive Officer);
- IC Abrahams (Manager : Credit Monitoring)
- JE Carstens (Chief Credit Officer);
- F Davids (Head : Distribution Systems and Procedures)
- AP du Plessis (Financial Director)
- CG Fischer (Executive: Marketing and Corporate Affairs);
- GM Fourie (Executive: Operations);
- A Olivier (Executive: Card Services and Business Support)
- C Oosthuizen (Executive: Information Technology);
- CG van Schalkwyk (Executive: Risk Management and Company Secretary); and
- L Venter (Executive: Human Resources).

Directors' Affairs Committee

The Directors' Affairs Committee meets twice a year and is responsible for the evaluation of Board effectiveness, senior management and Board succession planning and corporate governance. The Directors' Affairs Committee assesses, among other things, the skills needs of the Board and whether the Board composition represents an adequate mix of skills and diverse backgrounds. All non-executive directors are members of the Directors' Affairs Committee. The Directors' Affairs Committee is chaired by the Chairman of the Board.

The primary purposes of the Directors' Affairs Committee are:

- to support and advise the Board on its responsibilities towards the stakeholders of the Capitec Group in ensuring that the Board is comprised of competent individuals capable of discharging responsibilities relative to the nature and scale of the Capitec Group and with due regard to the laws and customs that govern the activities of Capitec Bank and Capitec Holdings; and
- to establish and maintain an adequate and effective mechanism for effecting corporate governance throughout the Capitec Group, which is consistent with the nature, complexity and risk inherent in the

Capitec Group's activities, and which is able to respond effectively and promptly to changes within the Capitec Group's environment.

Audit Committee

The Audit Committee comprises four independent non-executive directors. The chairman of the Audit Committee is an independent non-executive director. The chairman of the Board is not a member of the Audit Committee. The chairman of the Risk and Capital Management Committee is a member of the Audit Committee.

The Audit Committee meets at least three times a year and oversees financial controls, reporting and disclosure. The purpose of the Audit Committee is to strengthen internal governance and thereby assist the Board in its responsibility of preserving the assets of Capitec Bank, ensuring the operation of adequate systems, internal control processes and the preparation of accurate external financial reports and statements in compliance with all applicable legal requirements and accounting standards.

Audit fees are annually approved in advance by the Audit Committee in a manner which should not impact on the scope of the audit. Non-audit services rendered by the external auditors of Capitec Bank are limited to *ad hoc* tax advice and other assurance-related services within the parameters of a policy approved by the Audit Committee, limiting such expense to 40% of the annual audit fee.

Remuneration Committee

The Remuneration Committee comprises four non-executive directors. The primary purpose of the Remuneration Committee is to ensure that remuneration policies and practices are established and observed which will attract and retain individuals able to create enduring value for shareholders. The Remuneration Committee discusses and determines directors' and senior executives' remuneration, levels of remuneration, as well as adjustment thereof at intervals and, when applicable, additional remuneration such as bonuses and incentives, including share incentives.

Risk and Capital Management Committee

The Risk and Capital Management Committee comprises four non-executive directors. The chairman of the Audit Committee is a member of the Risk and Capital Management Committee. The Risk Committee meets twice a year and reviews the processes followed to identify risk. The fundamental purpose of the Risk and Capital Management Committee is to identify risks in the Capitec Group business and operational environment, and decide how these risks should be addressed. The Risk and Capital Management Committee also assists the Board in ensuring that risk assessment is an ongoing process and that a formal risk assessment is undertaken at least quarterly.

9. AUDITING, REPORTING AND COMPLIANCE

Auditing and accounting

As at the Programme Date, the external auditors of Capitec Bank are PricewaterhouseCoopers Inc ("PwC"). PwC has acted as auditors of Capitec Bank since its establishment and in respect of each of these years issued an unqualified audit report. The internal audit department of Capitec Bank endeavours to observe the highest levels of business and professional ethics and independence. Capitec Bank encourages regular coordination and consultation between external and internal auditors to ensure an efficient audit process.

Non-audit work performed by the external auditors of Capitec Bank is regulated by a policy laid down by the Audit Committee. In compliance with the requirements of the Banks Act, the lead partner of the audit team of Capitec Bank's external auditors rotated during the financial year ended 28 February 2007, in line with a 5-year rotation cycle.

Reporting

Annual and interim financial results are submitted to the Audit Committee for consideration and recommendation to the Board for final approval. The Audit Committee's mandate includes the authority to determine whether or not the interim report should be subject to an independent review by the external auditors of Capitec Bank. The facts and assumptions used by the Board to assess the going concern status of Capitec Bank at each financial year end are recorded and submitted annually, in terms of the Banks Act, to the Registrar of Banks.

Internal audit

Capitec Bank has an independent internal audit department. The head of the department reports directly to the Chief Executive officer and has direct access to the Chairman. Apart from its own staff, it functions on a co-sourced basis with Deloitte as external consultants and in accordance with a charter approved by the Audit Committee. The charter formally defines the purpose, authority and responsibility of the internal audit activity and is consistent with the Institute of Internal Auditors' definition thereof. The head of internal audit attends all Audit Committee and Risk and Capital Management Committee meetings and submits a report at each Audit Committee meeting.

The internal audit function focuses on adding value to the operations of Capitec Bank. To this end it emphasises:

- compliance with Capitec Bank policies and procedures;
- regulatory compliance;
- prevention of theft and fraud; and
- production of quality management information.

The internal audit department annually submits a coverage plan to the Audit Committee for approval. The scope of this plan encompasses the entire business of Capitec Bank and is drafted with the strategic aim of the bank in mind. In Capitec Bank's developing environment great emphasis is placed on implementation and efficiency of systems. In addition, the operational environment is closely monitored in order to ascertain that controls are functioning adequately. Increased emphasis is placed on the development of centralised monitoring. In this process any deficiency detected in governance is escalated to management for action. Executive summaries of audit findings are distributed for information purposes and the full report to the relevant parties where action is required. Internal Audit reports at regular intervals to a number of management and risk forum committees and ultimately to the Audit Committee.

Regulation and compliance

Capitec Bank is regulated in terms of the Banks Act by the South African Reserve Bank ("SARB"). As a result of the financing it provides, Capitec Bank is also regulated by the National Credit Regulator and the Financial Services Board.

Capitec Bank has an independent compliance function. It functions through a network of compliance champions located in each business unit. The compliance champions report to the Compliance Officer who reports to the Chief Executive Officer of the bank and has direct access to the chairman of the Board as well as the chairmans of all board committees. These selected employees receive training under the auspices of the Compliance Institute of South Africa.

10. CORPORATE GOVERNANCE AND ETHICS

The Board endorses the code of good corporate practices and conduct, as detailed in the King II report. The Board uses the corporate governance requirements set out in, amongst others, the listings requirements of the JSE and the Banks Act as a basis for the governance structure through which the Capitec Group is directed, controlled and managed. The Board believes in, and places great emphasis on, ensuring compliance with the substance of corporate governance. To the best of the knowledge of the Board, Capitec Bank has complied with the corporate governance requirements set out in the King Code for the financial year ended 29 February 2008.

The Board accepts that it is ultimately responsible for ensuring the effectiveness of corporate governance in Capitec Bank and, through the Directors' Affairs Committee, reviews the success thereof on an annual basis. The relevant report is submitted annually to the Registrar of Banks.

Capitec Bank continues to position itself as an institution within the communities which it serves. For this reason the Board and management endeavour at all times to enforce the highest standards of ethical behaviour, from internal compliance with policies and procedures to external criminal prosecution of offenders. Capitec Bank subscribes to the Code of Good Banking Practice and expects its employees to bind themselves to support and maintain the ethical principles and standards prescribed by the Board and management.

11. THE BUSINESS OPERATIONS OF CAPITEC BANK

Capitec Bank is a retail bank which focuses on providing personal, simplified, affordable and accessible banking services to the retail market. Capitec Bank offers an innovative single banking facility containing savings, lending and transaction facilities which are accessed via a paperless, technology-driven process on a real-time basis. The innovative packaging of this facility and Capitec Bank’s unique service platform have resulted in a low cost bank infrastructure, requiring no costly branch back office, which delivers what Capitec Bank believes to be the most accessible, simplified and affordable banking in the market.

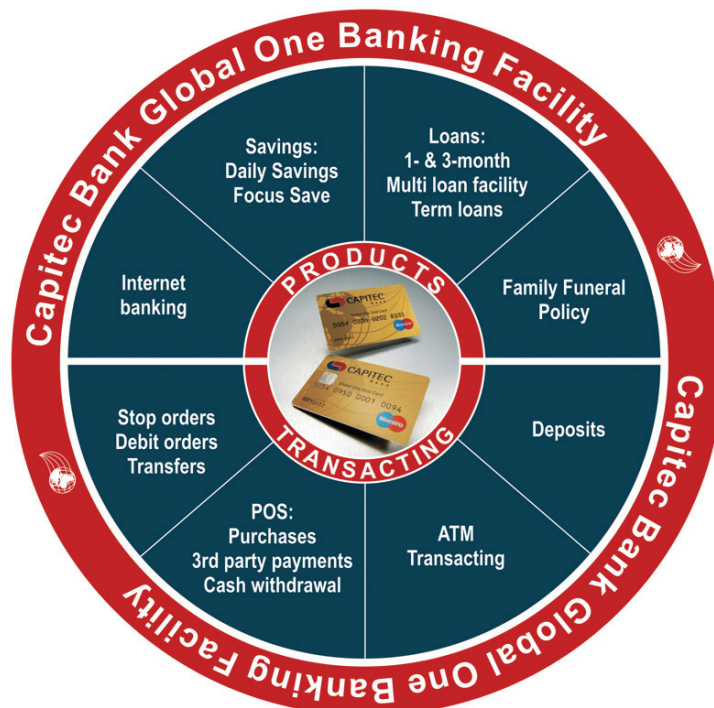
Capitec Bank branches are open at least between 8:00 and 17:00 on weekdays and 8:00 and 13:00 on Saturdays. Paperless transacting is enabled by biometric control of all branch transactions by the consultant. Biometric control is the process where the consultant’s finger print is registered; when the consultant wants to access the Capitec Bank system, he/she has to place his/her finger on a fingerprint reader (biometrics) and the fingerprint is compared to the registered fingerprint to verify the identity of the consultant. Capitec Bank believes that this protects clients by verifying transactions while simplifying client processes. Photographic verification of clients is used to enhance secure transacting on client accounts and to support instant card replacement when required.

Capitec Bank aims to develop its brand into one associated with excellence, innovation and integrity.

Capitec Bank’s current market is defined in terms of Living Standards Measurements (LSM) which is a segmentation tool based on wealth access and geographic indicators. The core of Capitec Bank’s client base can be profiled as being in LSM 5 – 8, formally employed male and females between the ages of 20 – 49 years with an average house-hold income of R6800 per month. This segment of the market mostly occupies formal housing and has school going children.

The main growth drivers of the size of the market are the number of adults in the defined market segment, the employment rate and average personal income. Capitec Bank estimates this segment of the credit market to consist of approximately 4.8 million banked and employed individuals.

Capitec Bank’s unique offering to clients is a single global one banking facility as illustrated in the pie chart below, which includes five savings accounts at 10% interest per year, one to three month personal loans, term loans up to 36 months, transacting facilities (debit orders/stop orders), inter-bank transfers and retail debit card purchases, all packaged in one facility. The internet bank facility is available to customers in the Eastern and Western Cape, and will soon be available everywhere. We are building what we believe to be a ubiquitous bank, providing all basic banking services, including those required by the young and modern client of the future.



The branch, ATM and point of sale distribution network of Capitec Bank are enhanced by full connectivity to all the other major banks in South Africa. This provides access to a further 12 000 ATMs and 230 000 Point of Sale

machines for Capitec Bank clients. Balance readers which allow clients to verify at no cost their balance before making a debit card purchase have been placed in supermarkets.

Savings

Capitec Bank addresses saving activity by South Africans through offering interest rates on savings accounts that allow its clients to experience tangible returns regardless of the size of their deposits. To encourage saving, Capitec Bank offers what it believes to be the lowest cost and highest interest rates on savings accounts in South Africa, paying 10% interest on any savings balance below R10 000 and 11% on all balances in excess of R10 000. Funds are on call and at the Programme Date, the interest rates are competitive for balances below R10 000. Clients can open a further four linked savings accounts and personalise the names for specific items such as holidays, education and furniture. Through innovative technology, banking charges are also kept to a minimum and, as at the Programme Date, Capitec Bank's banking fees are the best in the market, with Capitec Bank ATM charges fixed at R2.25 per transaction.

The table below details the growth in the number of savings clients and value of deposits over the past four years:

Savings	2008 R'000	% Change	2007 R'000	% Change	2006 R'000	% Change	2005 R'000
Value of saving clients	842	52%	554	76%	314	324%	74
Number of saving clients	783	34%	583	55%	375	162%	143

Loans

Capitec Bank offers various loan products, from one month to a fixed term of up to 36 months. Loan amounts range from small amounts to R50 000 and are based on clients' requirements, affordability calculations and credit scores. Capitec Bank believes that its real-time online system handles high volumes very efficiently (on average, more than 260 000 loan transactions per month), which supports the aggressive loan price structure. The provision of immediate loans to clients has proven to be Capitec Bank's primary income generating activity.

The value of loans provided in the financial year ended 29 February 2008 increased by 50% to R5.2 billion. In the financial year ended 29 February 2008, 3.2 million loans with average size of R1636 (financial year ended 28 February 2007: 2.7 million loans with average size of R1 080) were advanced to clients. Because of the longer average term of the loans, Capitec Bank's net loan book increased from R803.2 million (financial year ended 28 February 2007) to R2019 million.

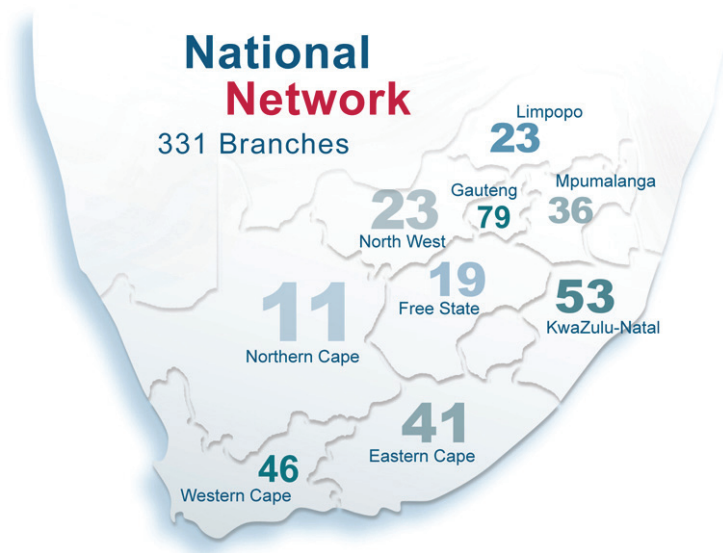
		2008	2007
• Value of loans advanced	Rm	5 162	3 449
• Number of loans advanced	'000	3 155	2 924
• Average loan amount	R	1 636	1 180
• Loan revenue	Rm	1 284	1 001
• Net loan impairment expense	Rm	231	161
• Net impairment to repayments	%	5.10	4.12

Note : Includes all loans from 1 month to 36 months

Transaction Facilities

Capitec Bank's *Global One Card*, which is provided to all Capitec Bank clients is used as the access mechanism to transacting facilities, loan approvals, stop/debit orders, interbank transfers and immediate access to loan funds. This Maestro branded card provides clients with free debit card purchases, as well as free statements and balance enquiries. Capitec Bank is also a member of Visa and has begun to issue Visa branded cards. Capitec Bank is a clearing bank, a member of the Payments Association of South Africa and the Banking Association. In addition to Capitec Bank's 331 branches (and a further increase to 362 is planned during the 2009 financial year), 86 mobile branches, and 765 ATM's country wide, Capitec Bank clients also have access to low cost cash withdrawals through all Checkers, Pick 'n Pay and Shoprite points of sale, as well as full interbank connectivity through SASWITCH, Mastercard and VISA ATMs (both nationally and internationally).

Geographic distribution of branches



12. RISK MANAGEMENT

Risk management framework and responsibility

Capitec Bank views risk management as a measure of ensuring a responsible return on shareholders' equity. Ultimately, the Board remains responsible for risk management. To assist the Board in performing this duty, Capitec Bank is managed through a system of internal controls functioning throughout the bank. The board believes that an awareness of risk pervades every aspect of the bank's business and is seen as the responsibility of each and every employee.

The Risk and Capital Management Committee assists the Board in reviewing the processes followed to identify risk and in assessing such risks in the Capitec Group environment. The Risk and Capital Management Committee also assists the Board in ensuring that risk assessment is an ongoing process and that a formal risk assessment is undertaken at least quarterly. Sub-committees comprising executives and senior management have been established to deal in a structured manner with specific risks facing Capitec Bank:

- Credit committee – credit and counter party risk;
- Assets and liability committee (“ALCO”) – interest rate, market, liquidity, currency and capital adequacy risk; and
- Operational risk committee – legal, compliance, technology, operational, human resources, regulatory and reputational risk.

Capitec Bank Risk Framework



Risk management

Capitec Bank believes that the biggest risks facing it reside in liquidity, information technology, human resources, credit extension and the regulatory environment and accordingly, the emphasis tends to fall in these areas. However, to enhance shareholders' and other stakeholders' interests, Capitec Bank believes that all risks are mitigated to an acceptable level relative to the return produced by the activity concerned and this remains a central theme of the manner in which Capitec Bank conducts business.

Capitec Bank operates in a structured manner with defined processes and procedures enabling risk assessment within a controlled environment. Accordingly, an assessment of key risks is performed with weightings on impact and probability assigned. Existing controls are assessed and, if necessary, adjusted. Thereafter reports are generated at regular intervals to enable monitoring of risk levels.

Business continuity and disaster recovery plans have been developed and set in place to ensure continuity of business in the event of a disastrous incident which could impact Capitec Bank's activities. These plans are tested periodically to ensure their continued effectiveness.

13. CREDIT EXTENSION RISK

Credit Approval

The credit approval decision is based on the applicant's willingness to pay, ability to pay and the source of payment.

- The willingness to pay is established externally by credit bureau enquiries. Bureau related policy rules are automatically applied on bureau scores and bureau data (this includes fraud checks). Internally it is established by the application of behavioural score criteria and arrears indicators.
- The ability to pay is assessed after evaluation and capturing of the customer's payslip and bank statement information. We print the client household disposable income calculation on the loan contract.
- The source of payment is established by evaluating the client's payslip, bank statement and employment confirmation. The relevant source documentation is filed as proof of verification. We are in the process of migrating to the scanning of all supporting documentation.

Terms of business are allocated electronically based on a client level risk grading (term, rate, amount and instalment).

Exception requests are referred to a central Credit Assessment Team, where discretion is applied within a predefined referral mandate and exception policy, as approved by the Credit Committee.

Clients sign a pre-agreement statement, a quotation and a credit agreement as provided for in the National Credit Act, no 34 of 2005 ("the NCA"). Loan accounts are created automatically and payouts are made directly to the client's savings account. This is linked to a debit card and withdrawals can be made immediately at the branch ATM, any SASWITCH ATM, retailers (debit card purchases and cash-back withdrawals) and ATM alliances. No cash is handled by bank staff. No loan can be paid out without the client having gone through a process of identifying him/herself and verifying his/her address as required by the Financial Intelligence Centre Act no 38 of 2001 ("FICA"). Clients' ID photos are matched to their photos on the system, taken the first time they open an account.

Branch consultant access is controlled with a biometric system and an audit trail exists of all loans granted.

Loan approval rates are monitored on an ongoing basis and reported to the Credit Committee by the Credit Assessment Team.

The Credit Granting policy is reviewed at least annually by the Credit Committee. The Credit Decision Support statisticians apply analytical software to build and monitor scorecards, continuously validate policy rules, generate strategic and management information, quantify arrears events and generate the impairment provision and capital management models of expected identified, expected unidentified and unexpected credit losses. Credit policy rule decisions are supported with a Return on Equity benchmark model.

Compliance with the credit granting policy is monitored by way of internal audit branch visits, central auditing of exceptions, online credit monitoring and investigation of branches with higher than expected arrears.

Organisation wide Credit Alerts are communicated immediately where incidents of non-compliance are identified or where misinterpretation of policy leads to arrears. New employees receive training on the credit granting policy as part of the 6 weeks "Firm Foundations" training programme. Continuous training of employees is done through Capitec Bank's e-learning platform and at branch manager and regional manager conferences.

Collections

Capitec Bank utilises the Early Debit Order System ("EDO") to collect instalments from the client's external bank account on the dates provided for in the credit agreements and in terms of a written mandate in the credit agreement. For clients that have Capitec Bank savings accounts Capitec Bank has a mandate that allows for the debit orders to be processed with other external early debit orders according to the business rules for the Early Debit Order Payment Clearing House.

Collections are managed pro-actively in three stages:

Firstly, early stage arrears are followed-up on by the branch network. Support is provided to the branches by a central Monitoring & Control department to ensure that all arrears are followed up correctly.

Secondly, soft collections are performed centrally from an internal Credit call centre or outsourced third party call centres, based on a predetermined and continuously reviewed collections strategy.

Lastly, cases are handed over to various legal collection agents who are responsible for tracing and legal action. The Capitec Collection Services department (CCS) manages the performance of the agents, the handed over accounts database and recoveries. The Specialised Services area within CCS with the support of the Legal department manage the debt review applications, deceased clients and under administration cases.

The Credit Committee reviews the various Collection Policies at least annually.

Arrears and bad debts

Arrears percentages are reported daily and evaluated on branch level, regional level, and national level. Branch performance measurement and incentives include arrears targets, equally balanced with sales and profit targets.

Credit Monitoring tracks arrears to ensure operational efficiency and compliance. By identifying changes in trends and variances from benchmarks as early as possible, we are able to create solutions for branches as quickly as possible. The daily Arrears Dashboard is utilised to identify unexpected spikes that are investigated immediately. All impacts on arrears are registered on the central Credit Events Log, communicated continuously to the branches and management. These are quantified and fed into the impairment provisioning and capital requirement models. Where applicable, the events are reported in the operational risk register for reporting to the Operational Risk Committee.

All operational risk incidents are identified and action is agreed on with the Information Technology or Interbank departments. Progress is reported to the branches by sending updates of the Credit Events Log.

Economic incidents, such as employer level retrenchments or industry level strikes, are reported to affected branches and preventative action with regard to restrictions on further lending, affordability calculations and arrears follow-up emphasis are prescribed.

Capitec Bank also monitors arrears trends with roll rate analysis (movement of accounts between arrears classification e.g. from current into arrears or *vice versa*), derived from the historic payment profiles. This is generated from Capitec Bank's loans system and the same payment profiles are submitted to the National Lending Register (the future National Credit Register) and the same payment profiles form the basis of the impairment provisioning and capital requirement models. Variations of roll rate tables are utilised to understand the level of rehabilitation in arrears accounts and to derive new credit screening or granting rules and collection strategies.

First-payment-defaulter reports to identify pockets of early delinquency and movement tables are analysed and compared to benchmarks. This is used to ascertain the effectiveness of Capitec Bank's credit granting policy and to monitor economy trends.

Capitec Bank analyses all of the above arrears perspectives in various dimensions, i.e. different products, tranches of sales, payment methods (banking clients and clients who do not deposit their salary with Capitec Bank), payment frequency (weekly / fortnightly / monthly), client number level and Rand value level.

Impairment of advances

The estimation of allowances for impairments is inherently uncertain and depends on many factors, including general economic conditions, structural changes within industries, changes in individual customer circumstances and other external factors such as legal requirements, regulatory specifications and governmental policy changes.

Loans and advances are stated net of identified and incurred but unrealised impairments.

Loans and advances are considered impaired if, and only if, there is objective evidence of impairment as a result of events that occurred after initial asset recognition (known as loss events) and these loss events have an adverse impact on the assets' estimated future cash flows that can be reliably measured.

Objective evidence that loans and advances may be impaired, includes the following observable data :

- a) A breach of contract, such as a default or delinquency in interest or principal payments. In this regard instalments not paid one day past due date are considered in breach of contract.
- b) Historical loss experience of groups of financial assets with similar repayment terms.
- c) Data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group including:
 - Adverse changes in the payment status of borrowers in the group; or
 - National or local economic conditions that correlate with defaults on the assets in the group.

In determining whether a loss event has occurred, loans and advances are subjected to regular evaluations of the overall client risk profile and payments record.

The historical loss experience is adjusted on the basis of observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

On a collective basis, Capitec Bank assesses whether objective evidence of impairment exists for groups of financial assets with similar repayment terms. If there is objective evidence that an impairment loss on loans and advances has been incurred, the amount of the loss is measured as the difference between the assets' carrying amounts and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the respective financial assets' original effective interest rates (the recoverable amount).

Identified impairment

All advances within Capitec Bank comprise a large number of small homogenous assets. Statistical techniques are used to calculate impairment allowances collectively, based on historical default and recovery rates. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical loss experience on the eventual losses encountered from such delinquent portfolios.

These statistics feed discounted cash flow models which have been developed for each of the loan products offered by Capitec Bank. The models are updated periodically in order to reflect appropriate changes in inputs.

Models contain both judgemental and non-judgemental inputs. The extent of judgement utilised in models developed for new loan products is greater than that for older products given the limited historical experience available for the new products.

In outline, the statistical analyses are performed on a portfolio basis as follows:

- Loans and advances are monitored on a product basis, with each month's advances being treated as a discrete portfolio, on which an analysis of the run-off of recoveries, in period buckets, is performed in order to develop a historical base for statistics on probability of default (PD).
- These derived statistics, based on actual experience, are used in plotting values on a model curve that reflects the risk profile of the portfolio.
- Loans in arrears by more than 90 days are handed over for collection and written off. Recoveries from these loans are regarded as negligible as collateral is not required for the granting of advances in the current product range giving a Loss Given Default (LGD) of 100%.
- Upon write-off the accrual of interest income on the original term of the advance is discontinued, but the increase in the present value of impaired advances due to the passage of time is reported as interest income.

Incurred but unidentified impairment

In addition to the impairment estimated for assets with recognised objective evidence of impairment, an estimate is made for impairments associated with those assets in the balance sheet that are impaired, but for which objective evidence is not yet available.

- The impairment calculation utilises the results of the statistical analyses referred to above to estimate the proportion of assets in each portfolio that are likely to display objective evidence of impairment over the emergence period. The emergence period is defined as the experience of the length of time that it takes for objective evidence to become apparent after the asset has become impaired.
- In considering the occurrence of a loss event over the life of a loan, it is assumed that there is a constant risk of the loss event occurring at any point in the life of the loan.
- For a portfolio of loans in a particular month most of the provision is recognised in the early stages of the contractual period as the outstanding loan balances are larger.

The methodology and assumptions used for estimating future cash flows are reviewed monthly to reduce differences between loss estimates and actual loss experience.

All impaired loans and advances are reviewed on a monthly basis and any changes to the amount and timing of the expected future cash flows compared to previous estimates will result in a change to the charges for impairment of loans and advances in the income statement.

Loan write-offs

Short-term loans (and the related impairment allowance accounts) are normally written off in full, for amounts in arrears for more than three (3) months (+/-90 days).

Vintage Graphs

Capitec Bank utilises vintage graphs to measure the quality of credit screening or granting as Capitec Bank believes that vintage graphs indicate improvement or deterioration at an earlier date than looking at portfolio arrears which are greater than 3 months in arrears.

The vintages reflect a trend of improvement in the quality of Capitec Bank's new business due to the ongoing improvements made in the areas of scoring, affordability, pay date management, collections and the end-to-end automation of its processes. Capitec Bank believes that its clients' ability to pay has also improved in general as clients are currently paying lower interest rates due to the NCA and they are offered longer term loans by the credit industry.

Capitec Bank believes in its ability to continue the demonstrated improving trend in new business quality, as it believes that it has proactively made the required changes in its credit risk management model to maintain and improve existing levels of arrears against the backdrop of a reported turn in the economic climate and evident growth in volumes and exposure due to the roll out of Capitec Bank's longer term products (18 and 24 Month Loans in November 2006 and 36 Month Loans in October 2007).

In summary :

Capitec Bank has implemented the following controls in the areas of credit risk :

- Acceptance
 - standardisation and automation of affordability and willingness assessment;
 - fraud checks;
 - implementation of an automated application system that will integrate the bureau enquiry, affordability calculation, product rules, allocation of terms of business and creation of contract and loan to payout, is in progress (this will ensure even better process consistency and enable Capitec Bank to perform simulations of considered rule sets and champion challenge these new rules); and
 - Capitec Bank will have in-house intelligence of all applications received and rejected to enhance Capitec Bank's scoring ability.

- Control
 - pro-active pay date confirmation;
 - effective collections via the EDO system;
 - centrally supported early stage follow-up by branches on purpose built system;
 - central follow-up and arrangements with clients in arrears by specialised call centres; and
 - improved and refined collections strategies.

- Recovery
 - migration to a user friendly database to optimise recoveries;
 - credit department is structured and skilled in terms of staff and processes to service applications for debt review in accordance with the NCA; and
 - current application levels appear to be far below the industry norm.

14. ASSET AND LIABILITY MANAGEMENT

Asset and liability management is conducted in a conservative manner ensuring maintenance of capital adequacy in excess of regulatory requirements while liquidity and adequate funding is carefully monitored.

The primary concern for Capitec Bank is to ensure that all clients can have immediate access to their cash. Clients withdraw their funds by means of cash based transactions from Capitec Bank ATM's and from SASWITCH linked ATMs. In addition, clients use their debit cards at point-of-sale terminals. Debit card and SASWITCH transactions are settled through the SARB Samos account. Collateral, in the form of SARB Debentures and Treasury Bills, is reserved in the Samos account to cover both these transactions and the Liquid Asset Requirement (LAR) as prescribed by the Banks Act.

Cash to replenish Capitec Bank's ATMs is transported and replenished by Group 4 Securicor (G4S).

Capitec Bank remains conservative in its spending philosophy and regards liquidity management as an imperative.

15. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

All subsidiaries in the Capitec Group are consolidated for both accounting and supervisory reporting purposes. As at the Programme Date, Capitec Bank has no subsidiaries and consolidation for regulatory purposes only relates to the consolidated returns of Capitec Holdings.

As the operations of the Capitec Group are, as at the Programme Date, in South Africa, the only restrictions on the transfer of capital within the Capitec Group relate to the statutory limitations on investments in certain associates in terms of the Banks Act.

Capitec Bank is subject to regulatory capital adequacy requirements under the Banks Act. The capital adequacy requirements provide for a minimum target ratio of capital to risk-adjusted assets.

Capitec Group's principal objectives when managing capital are:

- To address the expectations of its shareholders, and so optimise business activities to ensure return on capital targets are achieved through efficient capital management.
- Ensure that Capitec Bank holds sufficient risk capital, including capital to be held as a buffer for unexpected losses to protect shareholders and depositors, to assure the sustainability of the bank through the business cycle.

- To comply with the capital supervisory requirements of the South African Reserve Bank ("SARB") as codified in the Banks' Act 1990 (as revised) and related Regulations.

Capitec Bank conducts a Capitec Internal Capital Adequacy Assessment Process (CICAAP) on an ongoing basis, which drives Capitec Bank's position on capital management matters. The CICAAP reviews the historic, current and future capital positioning of Capitec Bank both from an internal and regulatory capital perspective.

The capital adequacy ratios for the month ended 28 February 2008 for the Capitec Group and for Capitec Bank were as follows:

	Capitec Group		Capitec Bank	
	2008 [*]	2007 ^{**}	2008 [*]	2007 ^{**}
	R'000	R'000	R'000	R'000
Primary (Tier 1) capital				
Ordinary share capital	647 363	647 363	1 117 671	1 117 671
Retained earnings	415 458	313 049	(102 324)	(221 981)
Qualifying preference share capital	154 606	154 606	154 606	154 606
Prescribed deductions	(47 599)	(171 538)	(46 564)	(171 546)
	1 169 828	943 480	1 123 389	878 770
Secondary (Tier 2) capital				
Qualifying unidentified impairments	20 044	2 439	20 044	2 439
	20 044	2 439	20 044	2 439
Total qualifying regulatory capital	1 189 872	945 919	1 143 433	881 209
Total capital adequacy %	36.4	78.9	35.1	74.1
Primary %	35.8	78.7	34.5	73.9
Secondary %	0.6	0.2	0.6	0.2
Required capital adequacy %	25.0	15.0	25.0	15.0
Required regulatory capital	817 462	179 744	814 568	178 248
Risk weighted assets				
Credit risk				
- on balance sheet	1 600 786	862 915	1 602 537	870 312
- off balance sheet	-	119 624	1 004	119 624
	1 600 786	982 539	1 603 541	989 936
Operational risk	1 369 761	-	1 356 420	-
Equity risk in the banking book	14 424	12 177	14 424	12 177
Other assets	284 876	203 578	283 885	186 208
Risk weighted assets	3 269 847	1 198 294	3 258 270	1 188 321
Total assets based on IFRS	2 936 372	2 191 642	2 937 527	2 212 907
Total risk weighted assets - adjustment	333 475	(993 348)	320 743	(1 024 586)
Total risk weighted assets - regulatory	3 269 847	1 198 294	3 258 270	1 188 321

^{*} Calculated in terms of Basel II ^{**} Calculated in terms of Basel I

Capitec Bank will continue to employ a conservative capital adequacy strategy. Its qualifying capital comprises 100% Primary (Tier 1) capital instruments (being a combination of ordinary share capital, retained earnings and qualifying non-redeemable, non-cumulative, non-participating preference shares). As a growing bank Capitec Bank will continue to reinvest a significant element of its earnings back into the business, which is expected to ensure the continued quality of capital that Capitec Bank has traditionally enjoyed.

Capitec Bank aims to continue to fund growth in qualifying regulatory capital out of retained earnings unless this constrains Capitec Bank's ability to service the needs of its clients.

The Banks Act was amended to implement the new Basel Capital Accord (Basel II) with effect from 1 January 2008. Capitec Bank has implemented numerous initiatives in preparation for the Basel II transition, and has internally assessed and provided for the anticipated budgetary impacts of the Basel II implementation.

In terms of the Banks Act (as amended) and Regulation 38 of the “*Regulations Relating to Banks*” promulgated under the Banks Act a bank may (subject to Regulation 38), with effect from 1 January 2008, issue:

- “*hybrid-debt instruments*”, on the terms and conditions set out in Regulation 38(13), the proceeds of which will qualify as “*primary share capital*” (Tier 1 Capital) as defined in the Banks Act;
- “*hybrid-debt instruments*”, on the terms and conditions set out in Regulation 38(14)(a), the proceeds of which will qualify as “*secondary capital*” (Undated or Upper Tier 2 Capital) as defined in the Banks Act;
- “*term debt instruments*”, on the terms and conditions set out in Regulation 38(14)(b), the proceeds of which will qualify as “*secondary capital*” (Dated or Lower Tier 2 Capital) as defined in the Banks Act; and
- “*debt instruments*”, on the terms and conditions set out in Regulation 38(16), the proceeds of which will qualify as “*tertiary capital*” (Tier 3 Capital) as defined in the Banks Act.

16. GEARING

Capitec Bank’s wholesale funding preference is for fixed term instruments of longer dated maturities and Capitec Bank does not actively seek wholesale call deposits for funding purposes. Capitec Bank believes that it has a strong core retail deposit base and Capitec Bank will endeavour to increase the maturity durations of these deposits in the future through the introduction of additional savings products. Whilst optimal capital efficiency suggests that Capitec Bank gears for growth, it will endeavour to maintain a risk acceptable gearing ratio. It is Capitec Bank’s policy to adopt a conservative approach to utilising retail deposits to fund short dated asset instruments, notwithstanding that, based on internal historical analysis, there is clear evidence of a core of stable funding.

17. OPERATIONAL RISK

Information Technology Infrastructure

Capitec Bank believes that Information Technology is a key enabler within the Capitec Bank business model. Capitec Bank believes that innovative application of technologies has enabled the Bank to simplify branch banking activities, for both the client and the branch staff.

Capitec Bank clients do not complete paper application forms in any of its branches, resulting in a paperless environment. Every request is completed in real-time, clients do not have to “come back later” or only “get an answer tomorrow”. Technology also supports a business model where branch risk and the integrity of client identification is managed and controlled through a centralised biometric control system.

Human Resources

Capitec Bank recognises the importance and value of a skilled and educated workforce and as such continuously strives to train staff to provide a sophisticated staff interface to the Capitec Bank client specifically and other stakeholders of the bank in general. To this end, Capitec Bank has established its Firm Foundations training programme, an intensive training programme under which recruits are trained to become fully fledged bank branch consultants. We recruit for potential and train for skill. Under the Firm Foundations training programme, every new recruit goes through a two week training assignment in branches, a two week intensive training course in Stellenbosch at the Firm Foundations training centre and a three week apprentice period in the branch before being certified as a consultant. We spent R19,2 million on training our staff in 2008, 9% of our total operations salary bill.

18. REGULATORY RISK

Capitec Bank embarked on a project to facilitate compliance with the technical and process requirements of the NCA by 1 June 2007.

It would appear that the NCA has not delivered all its intended results and Capitec Bank has adopted a co-operative approach to resolving outstanding issues:

- Capitec Bank takes part in the moratorium offered on debt review applications through the Banking Association to help the debt counselling process get off the ground;
- Capitec Bank has signed an agreement as a member of the National Debt Mediation Association in order to facilitate the best possible route to follow for any distressed client; and
- Capitec Bank is registering with the Credit Providers Association to support the creation of the future National Credit Register.

Capitec Bank believes that its business has transitioned proactively and smoothly to the extent required by the NCA (as identified in the gap analysis performed by its NCA legal and project team during 2005). Capitec Bank supports the aims of the NCA:

- Protection counselling of the borrower against excessive credit exposure;
- Opportunities (loans of over R10 000, longer term and a broader market); and
- Integration (micro lending, retail and banking).

19. CAPITEC BANK CREDIT RATING

Capitec Bank has obtained a credit rating from Moody's Investor Service Limited of A2.za long-term and Prime-2.za short term.

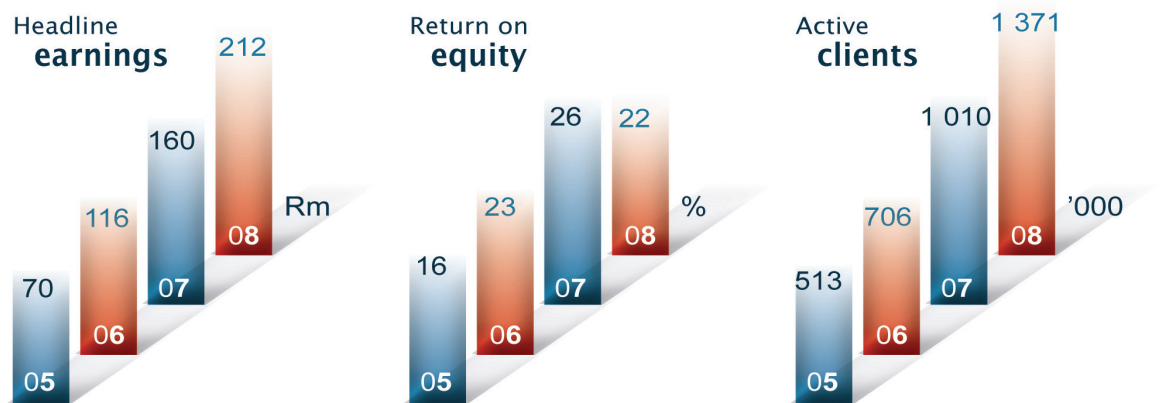
SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION FOR CAPITEC BANK GROUP FOR YEAR ENDING 29 FEBRUARY 2008

Key performance indicators for the Capitec Group

	2008	2007	Change %	2006	2005	2004	2003
OPERATIONS							
• Number of branches	331	280	18.0	253	251	265	266
• Number of employees	2 800	2 129	32.0	1 901	1 708	1 402	1 180
• Active clients	1371	1010					
• Number of ATMs	328	264	24.0	210	180	75	58
• Partnership ATMs	437	143					
• Mobile banking facilities	86	53					
• Capital expenditure	117	86	36.0	72	84	44	31
	Rm						
SALES							
Loans							
• Value of loans advanced	5 162	3 449	50.0	2 863	2 259	1 904	1 477
• Number of loans advanced	3 155	2 924	8.0	2 650	2 486	2 617	2 454
• Average loan amount	1 636	1 180	39.0	1 080	909	728	602
• Interest from loans advanced	709	924	(23.0)	768	534	393	323
• Loan fee income	575	77					
• Net loan impairment expense	231	161	43.0	95.6	39.2	28.8	32.8
• Net impairment % of repayments	4	4	(3.0)	2.85	1.45	1.43	2.58
Deposits							
• Value of savings deposits	842	554	52.0	314	74	4	-
• Number of savings clients	783	583	34.0	375	143	18	-
• Net transaction fee income	79	35	128	15	4	0	-
	Rm						

		2008	2007	Change %	2006	2005	2004	2003
PROFITABILITY								
Earnings attributable to ordinary shareholders								
• Basic	Rm	212	159	33.0	115	68	45	29
• Headline	Rm	212	160	33.0	116	70	47	30
Operating expenses	Rm	(771)	(614)	26.0	(506)	(392)	(307)	(250)
• Cost to income ratio – banking activities	%	58	60	(3.0)	66	73	76	75
Return on ordinary shareholders equity	%	22	26	(17.0)	23	16	12	8
Earnings per share								
• Attributable	Cents	258.8	220.9	17.0	163.4	97.9	67.2	44.5
• Headline	Cents	259.0	222.4	16.0	165.0	100.9	69.6	45
• Diluted attributable	Cents	250.3	209.5	20.0	154.7	91.7	62.6	43.3
• Diluted headline	Cents	250.5	210.9	19.0	156.2	94.5	64.9	43.7
Dividends per share								
• Interim	Cents	25.0	20.0	25.0				
• Proposed final	Cents	75.0	60.0	25.0	45.0	30.0	20.0	19.0
Dividend cover	X	2.6	2.8	(7.0)	3.7	3.4	3.4	2.3
ASSETS								
• Total assets	Rm	2 936	2 191	34.0	1 251	804	510	434
• Net loans and advances	Rm	2 019	803	151.0	455	208	135	116
• Cash and cash equivalents	Rm	618	1 044	(41.0)	582	363	160	104
• Investments	Rm	14	112	(87.0)	7	17	-	-
• Other	Rm	285	232	23	207	217	144	115
LIABILITIES								
• Total liabilities	Rm	1 719	1 074	60.0	687	337	82	49
• Deposits	Rm	1 528	897	71	595	281	49	26
• Other	Rm	191	177	7%	92	51	26	26

	2008	2007	Change %	2006	2005	2004	2003
EQUITY							
• Shareholders' funds	Rm	1 117	9.0	564	4737	426	384
• Capital adequacy ratio	%	79	(54.0)	56	84	98	99
• Net asset value per share	Cents	1 175	10.0	784	672	619	607.2
• Share price at 28 February	Cents	3 700	5	3 105	1 490	580	260
• Market capitalisation at 28 February	Rm	3 031	5	2 233	1 072	399	164
• Number of share options outstanding	'000	6 191	(17.0)	5 841	6 753	7 860	8 079
• Average share option strike price	Cents	1 151	58	648	271	153	144
• Average share option time to maturity	Months	24	-	28	25	22	30
• Charge on settlement of share options	Rm	48	200.0	31	16	2	-
Number of ordinary shares							
• At year end	'000	81 928	-	71 928	70 442	68 743	63 190
• Weighted average	'000	81 928	14.0	70 556	68 860	67 028	65 808
• Diluted weighted average	'000	84 711	11.0	74 534	73 536	71 868	67 709



CORPORATE GOVERNANCE AND RISK REVIEW AND CAPITEC BANK LIMITED AUDITED ANNUAL FINANCIAL STATEMENTS FOR YEAR ENDING 29 FEBRUARY 2008

ANNEXURE 1 ATTACHED

SETTLEMENT, CLEARING AND TRANSFERS

Notes listed on BESA and/or lodged in the Central Securities Depository

Each Tranche of Notes which is listed on BESA and either represented by the Global Certificate or issued in uncertificated form, will be held in the Central Securities Depository. A Tranche of unlisted Notes may also be held in the Central Securities Depository.

Clearing systems

Each Tranche of Notes, which is listed on BESA and/or held in the Central Securities Depository under the Global Certificate will be cleared through the Central Securities Depository which, as the operator of an electronic clearing system, has been appointed by BESA to match, clear and facilitate the settlement of transactions concluded on BESA. Each such Tranche of Notes will be issued, cleared and transferred in accordance with the Applicable Procedures and the Terms and Conditions. Each such Tranche of Notes will be settled through Participants who will comply with the electronic settlement procedures prescribed by BESA and the Central Securities Depository. The Notes may be accepted for clearance through any additional clearing system as may be agreed between BESA, the Issuer and the Dealer(s).

Participants

The Central Securities Depository maintains accounts only for Participants. As at the Programme Date, the Participants which are approved by BESA, in terms of the rules of BESA, as settlement agents to perform electronic settlement of funds and scrip are the South African Reserve Bank, Absa Bank Limited, FirstRand Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited. Euroclear Bank S.A./N.V., as operator of the Euroclear System and Clearstream Banking société anonyme will settle offshore transfers through their South African Participant.

Settlement and clearing

Participants will be responsible for the settlement of scrip and payment transfers through the Central Securities Depository, BESA and the South African Reserve Bank.

While a Tranche of Notes is held in its entirety in the Central Securities Depository, the Central Securities Depository's Nominee will be named in the Register as the sole Noteholder of the Notes in that Tranche. All amounts to be paid and all rights to be exercised in respect of Notes held in the Central Securities Depository will be paid to and may be exercised only by the Central Securities Depository's Nominee for the holders of Beneficial Interests in such Notes.

In relation to each person shown in the records of the Central Securities Depository or the relevant Participant, as the case may be, as the holder of a Beneficial Interest in a particular Principal Amount of Notes, a certificate or other document issued by the Central Securities Depository or the relevant Participant, as the case may be, as to the Principal Amount of such Notes standing to the account of such person shall be *prima facie* proof of such Beneficial Interest. The Central Securities Depository's Nominee (as the registered holder of such Notes named in the Register) will be treated by the Issuer, the Paying Agent, the Transfer Agent and the relevant Participant as the holder of that aggregate Principal Amount of such Notes for all purposes.

Payments of interest and principal in respect of Notes represented by the Global Certificate and Notes issued in uncertificated form will be made to the Central Securities Depository's Nominee, as the registered holder of such Notes, which in turn will transfer such funds, via the Participants, to the holders of Beneficial Interests. Each of the persons reflected in the records of the Central Securities Depository or the relevant Participant, as the case may be, as the holders of Beneficial Interests in Notes shall look solely to the Central Securities Depository or the relevant Participant, as the case may be, for such persons share of each payment so made by the Issuer to, or for the order of, the Central Securities Depository's Nominee, as the registered holder of such Notes. The Issuer will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, Beneficial Interests, or for maintaining, supervising or reviewing any records relating to Beneficial Interests. Payments of interest and principal in respect of Notes represented by the Global Certificate and Notes issued in uncertificated form shall be recorded by the Central Securities Depository's Nominee, as the registered holder of such Notes, distinguishing between interest and principal, and such record of payments by the Central Securities Depository's Nominee, as the registered holder of such Notes shall be *prima facie* proof of such payments.

Transfers and exchanges

Title to Beneficial Interests held by clients of Participants indirectly through such Participants will pass on transfer thereof by electronic book entry in the securities accounts maintained by such Participants for such clients. Title to Beneficial Interests held by Participants directly through the Central Securities Depository will pass on transfer thereof by electronic book entry in the central securities accounts maintained by the Central Securities Depository for such Participants. Beneficial Interests may be transferred only in accordance with the Applicable Procedures.

Beneficial Interests may be exchanged for Notes represented by Individual Certificates in accordance with Condition 14.1 (*Exchange of Beneficial Interests*) of the Ordinary Conditions or Condition 14.1 (*Exchange of Beneficial Interests*) of the Tier 1 Conditions, as the case may be.

BESA Guarantee Fund

The holders of Notes that are listed on BESA may claim against the BESA Guarantee Fund (in accordance with the rules of the BESA Guarantee Fund) only if such Notes are traded by or through members of BESA in accordance with the rules and operating procedures for the time being of BESA and the Central Securities Depository. The holders of Notes that are not listed on BESA will have no recourse against the BESA Guarantee Fund.

Notes listed on any Financial Exchange other than (or in addition to) BESA

Each Tranche of Notes which is listed on any Financial Exchange other than (or in addition to) BESA will be issued, cleared and settled in accordance with the rules and settlement procedures of that Financial Exchange. The settlement, clearing and redemption procedures for trades of a Tranche of Notes issued on a Financial Exchange other than (or in addition to) BESA will be specified in the Applicable Pricing Supplement.

SOUTH AFRICAN TAXATION

The comments below are intended as a general guide to the current position under the laws of South Africa. The contents of this section headed "South African Taxation" do not constitute tax advice and persons should consult their professional advisers.

1. Stamp duty and uncertificated securities tax on issue and transfer of Notes

In terms of the Stamp Duties Act, 1968 and the Uncertificated Securities Tax Act, 1998:

- 1.1 no stamp duty or uncertificated securities tax is payable on the original issue of any Note;
- 1.2 the issuing of a Certificate in respect of Notes in substitution of a similar Certificate which has been withdrawn, cancelled or lost, does not attract stamp duty or uncertificated securities tax; and
- 1.3 the registration of the transfer of any Note, being a debenture of a company which constitutes an instrument as contemplated in section 24J of the Income Tax Act, is exempt from the payment of stamp duty or uncertificated securities tax.

2. Income Tax

2.1 Nature of any original issue discount or premium

Any original issue at a discount to the Principal Amount of the Notes will, in terms of section 24J of the Income Tax Act, be treated as interest for tax purposes and the discount amount will be deemed to accrue to the Noteholder on a day-to-day yield to maturity basis as if the Noteholder was to hold the Notes until maturity. If the Notes are disposed of prior to maturity or are subject to early redemption, then the yield to maturity will be re-calculated at that time.

Any original issue premium will be added to the Principal Amount of the Notes to determine the initial amount which will be used to determine the interest which is deemed, under Section 24J of the Income Tax Act, to have been incurred or to have accrued in respect of the Notes. Interest is taxed on the basis of the yield to maturity unless an election has been made by the Noteholder (if the Noteholder is entitled to make such election) to treat the Notes as trading stock on a mark-to-market basis.

2.2 Position as at the Programme Date

Under taxation law in South Africa as at the Programme Date:

- (a) a person ordinarily resident in South Africa will, subject to any available exemptions, be taxed on their worldwide income and, accordingly, subject to any available exemptions, any income received by or accrued to such resident in respect of the Notes will be subject to income taxes imposed or assessed under the Income Tax Act; and
- (b) a person not ordinarily resident in South Africa is taxed in South Africa under the Income Tax Act only on income from a source within or deemed to be within South Africa and, accordingly, interest which is received or accrued in respect of the Notes during any year of assessment to such non-resident will be exempt from tax in South Africa, unless that non-resident:
 - (i) is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate in that tax year; or
 - (ii) at any time during that tax year, carried on business through a permanent establishment in South Africa.

3. Capital gains

Any disposal of the Notes by a Noteholder who is ordinarily resident in South Africa prior to the redemption of the Notes may be subject to Capital Gains Tax, where applicable.

Noteholders who are not ordinarily resident in South Africa will generally not be subject to capital gains tax on the disposal of Notes unless the Notes comprise assets which are attributable to a permanent establishment of such non-resident located in South Africa.

SUBSCRIPTION AND SALE

Dealer and Placing Arrangements

In terms of (and subject to) the Programme Agreement, Investec Capital Markets and PSG Prime have been appointed as Dealers on an ongoing basis for the duration of the Programme. The Issuer may, in terms of (and subject to) the Programme Agreement, appoint one or more Dealers for a specific issue of one or more Tranches of Notes or on an ongoing basis.

In terms of (and subject to) the Programme Agreement, the Issuer may from time to time agree with any Dealer(s) to issue, and any Dealer(s) may agree to place, one or more Tranches of Notes by entering into an appropriate agreement substantially in the form of the agreement set out in the Programme Agreement ("**Agreement**").

On the Issue Date, delivery of the Notes in a Tranche of Notes which is listed on BESA and/or held in the Central Securities Depository under the Global Certificate to the subscribers of such Notes will, in accordance with the relevant Agreement (as read with the Programme Agreement), be effected by the Issuer's Participant, against payment of the Issue Price, in accordance with the Applicable Procedures. The Dealer(s) may procure sale and purchase transactions in respect of Notes before the Issue Date. Such transactions will be for settlement on the Issue Date and will be subject to the condition that the relevant Agreement is not terminated before the time on which such transactions are to be settled on the Issue Date. If the relevant Agreement is terminated before the Issue Date, the transactions in such Notes shall also terminate and no party thereto shall have any claim against any other party as a result of such termination.

Selling Restrictions

South Africa

Prior to the issue of any Tranche of Notes under the Programme by the Issuer, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that it will not solicit any offers for subscription for or sale of, or offer for sale or subscription or sell, the Notes in that Tranche of Notes, and will itself not sell Notes, in South Africa, in contravention of the Companies Act, the Banks Act the Exchange Control Regulations and/or any other applicable laws and regulations of South Africa in force from time to time. Notes will not be offered for subscription to any single addressee for an amount of less than R1 000 000.

United States of America

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

Prior to the issue of any Tranche of Notes under the Programme by the Issuer, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that:

- (i) the Notes in that Tranche have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account of or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act;
- (ii) it has not offered, sold or delivered any Notes in that Tranche and will not offer, sell or deliver any Notes in that Tranche (i) as part of their distribution at any time or (ii) otherwise until 40 days after completion of the distribution, as determined and certified by the Dealer or, in the case of an issue of such Notes on a syndicated basis, the relevant Lead Manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons;
- (iii) it will send to each dealer to which it sells any Notes in that Tranche during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account or benefit of, U.S. persons;
- (iv) it, its affiliates and any persons acting on its or any of its affiliates behalf have not engaged and will not engage in any directed selling efforts in the United States (as defined in Regulation S under the Securities Act) with respect to the Notes in that Tranche and it, its affiliates and any persons acting on its or any of its affiliates' behalf have complied and will comply with the offering restrictions requirements of Regulation S.

Until 40 days after the commencement of the offering of a Series of Notes, an offer or sale of such Notes within the

United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the US Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the Securities Act.

European Economic Area

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that, in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each a “**Relevant Member State**”), 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 any of such Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of any of such Notes to the public in that Relevant Member State:

- a) in the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive and/or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43 000 000.00 and (3) an annual turnover of more than €50 000 000.00 as shown in its last annual or consolidated accounts; or
- d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

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

United Kingdom

Prior to the issue of any Tranche of Notes under the Programme by the Issuer, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that:

- (i) in relation to any of the Notes in that Tranche which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any of the Notes in that Tranche other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of such Notes would otherwise constitute a contravention of section 19 of the Financial Services and Markets Act, 2000 (the “**FSMA**”) by the Issuer;
- (ii) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any of the Notes in that Tranche in, from or otherwise involving the United Kingdom; and
- (iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any of the Notes in that Tranche in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

General

Prior to the issue of any Tranche of Notes under the Programme, each Dealer who has (or will have) agreed to place that Tranche of Notes will be required to represent and agree that:

- a) it will (to the best of its knowledge and belief) comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, subscribes or procures subscriptions for, offers or sells Notes in that Tranche or has in its possession or distributes the Programme Memorandum and will obtain any consent, approval or

permission required by it for the purchase, subscription, offer or sale by it of Notes in that Tranche under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, subscriptions, offers or sales; and

- b) it will comply with such other or additional restrictions in relation to that Tranche of Notes as the Issuer and such Dealer agree and as are set out in the Applicable Pricing Supplement.

Neither the Issuer nor any of the Dealers represent that Notes may at any time lawfully be subscribed for or sold in compliance with any applicable registration or other requirements in any jurisdiction or pursuant to any exemption available there under or assume any responsibility for facilitating such subscription or sale.

EXCHANGE CONTROL

The comments below are intended as a general guide to the current position under the Exchange Control Regulations and are not a comprehensive statement of the Exchange Control Regulations. The information below is not intended as advice and it does not purport to describe all of the considerations that may be relevant to a prospective subscriber for, or purchaser of any Notes. Prospective subscribers for, or purchasers of any Notes who are non-South African residents or who are emigrants from the Common Monetary Area are urged to seek further professional advice in regard to the subscription for, or purchase of any Notes.

Non-South African Resident Noteholders and Emigrants from the Common Monetary Area

Dealings in the Notes and the performance by the Issuer of its obligations under the Notes may be subject to the Exchange Control Regulations.

Blocked Rand

Blocked Rands may be used for the subscription for or purchase of Notes. Any amounts payable by the Issuer in respect of the Notes subscribed for or purchased with Blocked Rands may not, in terms of the Exchange Control Regulations, be remitted out of South Africa or paid into any non-South African bank account. For the purposes of this section, "Blocked Rands" are funds which may not be remitted out of South Africa or paid into a bank account outside South Africa.

Emigrants from the Common Monetary Area

Any Individual Certificates issued to Noteholders who are emigrants from the Common Monetary Area will be endorsed "emigrant". Such restrictively endorsed Individual Certificates will be deposited with an authorised foreign exchange dealer controlling such emigrant's blocked assets.

In the event that a Beneficial Interest in Notes is held by an emigrant from the Common Monetary Area through the Central Securities Depository, the securities account maintained for such emigrant by the relevant Participant will be designated as an "emigrant" account.

Any payments of interest and/or principal due to an emigrant Noteholder will be deposited into such emigrant's Blocked Rands account, as maintained by an authorised foreign exchange dealer. Such amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

Non-residents of the Common Monetary Area

Any Individual Certificates issued to Noteholders who are not resident in the Common Monetary Area will be endorsed "non-resident". In the event that a Beneficial Interest in Notes is held by a non-resident of the Common Monetary Area through the Central Securities Depository, the securities account maintained for such non-resident Noteholder by the relevant Participant will be designated as a "non-resident" account.

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

For the purposes of this section, the Common Monetary Area comprises South Africa, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of Swaziland.

Bearer Notes

The disposal or acquisition of or dealing in Bearer Notes is subject to the prior written approval of the Minister of Finance (or a person authorized by the Minister of Finance) in accordance with regulation 15 of the Exchange Control Regulations.

GENERAL INFORMATION

AUTHORISATION

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of South Africa have been given for the establishment of the Programme and the execution of this Programme Memorandum and will be obtained from time to time for the issue of Notes under the Programme.

LISTING

This Programme Memorandum was approved by BESA with effect from 25 April 2008. Notes issued under the Programme may be listed on BESA or on such other or further Financial Exchange(s) as may be determined by the Issuer and the Dealer(s) and subject to any Applicable Laws. Unlisted Notes may also be issued under the Programme. The Applicable Pricing Supplement will specify whether or not a Tranche of Notes will be listed and, if so, on which Financial Exchange.

AUDITORS

PricewaterhouseCoopers are the auditors of the Issuer as at the Programme Date.

Signed at Cape Town on behalf of **CAPITEC BANK LIMITED** on 25 April 2008

By: _____

Director, duly authorised

By: _____

Director, duly authorised

ISSUER

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 (Registration number 1980/003695/06)
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 Contact: André du Plessis

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acting through its division
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 Contact: Lisa Christodoulou

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 Contact: Hennie Nel

TRANSFER AGENT

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 Contact: Charles Lourens/Gregory Windle

Annexure 1: Corporate Governance and Risk Management
Review and Capitec Bank Limited Audited Financial
Statements for the year ended 29th February 2008

CAPITEC BANK LIMITED

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 February 2008

COMPANY INFORMATION

CAPITEC BANK LIMITED

Registration number :	1980/003695/06
Registered address :	10 Quantum Street Techno park Stellenbosch 7600
Postal address :	PO Box 12451 Die Boord 7613
Auditors :	PricewaterhouseCoopers Inc
Directors :	AP du Plessis MS du P le Roux (chairman) KA Hedderwick (appointed 10 December 2007) TD Mahloele (appointed 1 April 2007) MC Mehl (Prof) NS Mjoli-Mncube (Ms) JF Mouton (resigned 4 October 2007) PJ Mouton (appointed 5 October 2007) CA Otto JG Solms R Stassen JP van der Merwe (appointed 27 September 2007) J van Zyl Smit (Dr) (resigned 27 September 2007)
Secretary :	CG van Schalkwyk

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Corporate governance and risk management review

Board functioning and effectiveness

The Capitec Bank board meets six times per annum. A record of attendance by each board member is published as per Annexure A. The Capitec Bank board operates in terms of an approved charter which, apart from detailing the powers, duties and responsibilities of the board, also specifies the reserved powers of the board and which is reviewed annually.

To allow non-executive directors the opportunity to familiarise themselves with the Capitec Bank business outside of board meetings, they are invited to executive meetings, and an annual board conference is held at which senior managers present the various aspects of the business to directors. This approach facilitates access by board members to company information, records, documents and property.

The board has established various board committees to monitor the implementation of their plans and strategies.

Board structure and continuity

The board comprises a majority of non-executive directors, consisting of a proper balance of **two executive, three non-executive and six independent non-executive directors**. A Directors' Affairs Committee comprising all the non-executive and independent non-executive directors and chaired by the chairman of the board has been established and in terms of its board-approved charter, inter alia, is responsible for recruitment and selection of new directors.

New appointees are recommended to the board for approval, subject to the approval of the Registrar of Banks. To facilitate continuity of the board, one-third of the board retires at each annual general meeting and has to date been re-elected by shareholders. During the period under review, the board has been strengthened by the appointment of one more black director as well as directors with strong retail and traditional bank exposure.

Chairman/CEO power balance

The roles and responsibilities of the chairman and chief executive officer are separated. Capitec Bank has a **non-executive chairman** with proven business acumen and of good standing in the South African business community.

- He participates actively in the **selection of board members**; and
- Ensures that all directors are given opportunity to add value to the formulation of the strategy of the company.

The chief executive officer's responsibilities include

- **Developing and implementing** of company strategy;
- Taking initiative in **managing relationships** with stakeholders and the **investment public** in general; and
- Acting as the **chief spokesperson** on behalf of the company.

The performance of the chief executive officer and the board as a whole, including its committees, are appraised at least annually.

Directors' selection and orientation

A **formal orientation programme** consisting of extensive discussions on the **company's business environment and operations** are held with new directors. In addition, directors are provided with company records such as copies of board minutes, applicable legislation and board committee charters.

Directors are invited to attend presentations by independent specialists on matters relevant to the board in the Capitec Bank environment and when considered necessary, such presentations are arranged in-house. Directors are also afforded the opportunity to attend industry-specific training, inter alia, as initiated by the Registrar of Banks.

Directors' remuneration

A **Remuneration Committee** comprising one non-executive director and three independent non-executive directors considers matters relating to **director and executive remuneration**. This committee executes its responsibilities in accordance with the terms and references incorporated in the board-approved remuneration committee charter.

Board oversight

To assist the board in reviewing processes and procedures to determine the effectiveness of **internal systems of control** in the company, the board has established committees with specific mandates to cover all aspects of the Capitec Bank business. These committees report their findings to the board, thereby ensuring that

the **decision-making capability of the board and the accuracy of its reporting and financial results are maintained at high levels**. Information assessed by the board comprises financial as well as non-financial information and enables the board to **assess the adequacy and efficiency of corporate governance and internal controls** in operation.

Board committees

The board has established various **sub-committees** such as the **Executive Management, Management, Risk and Capital Management, Audit, Directors' Affairs and Remuneration Committees**, each with an approved charter containing terms of reference for these committees. Further particulars on each of the committees are set out in Annexure B.

Board/director evaluation

The Directors' Affairs Committee meets at least **twice a year** to assess, amongst other things, the skills needs of the board. During the period under review the board was strengthened by the appointment, inter alia, of a retail expert and the committee feels satisfied that the board composition currently represents an adequate **mix of skills and diverse backgrounds**.

Dealing in securities

The board has approved a policy in accordance with the JSE Listings Requirements in terms of which directors, senior management and employees with access to management reports are required to obtain clearance to deal in the shares of the holding company prior to transacting.

This policy also bars any trading in the shares of the holding company during a prohibited period; standard closed periods are year-end up to publication of year-end results and at half-year up to publication of interim results. Emphasis is placed on **proper and correct declaration of interest by directors** in compliance with relevant legislation, including their shareholding in the holding company. A register of directors' interests is circulated at every board meeting and signed by all members present.

Company secretary's role

The company secretary administers corporate governance within the company, supports the chairman in ensuring the effective functioning of the board and provides the board and directors individually with guidance on the proper discharging of their responsibilities. **As such the company secretary:**

- Strives to inform the board of relevant legislation
- Makes information on the company available to board members
- Ensures compliance with statutory and regulatory matters and
- Acts as primary point of contact with shareholders.

Auditing and accounting

We are privileged to have a prestigious international firm as our external auditors; both the external auditors and internal audit department of Capitec Bank observe the highest levels of business and professional ethics and independence.

The company and management encourage regular coordination and consultation between external and internal auditors to **ensure an efficient audit process**. Non-audit work performed by the external auditors is regulated by a policy laid down by the Audit Committee.

Reporting

Annual and interim financial results are submitted to the Audit Committee for consideration and recommendation to the board for final approval.

The **Audit Committee's mandate** includes the authority to determine whether or not the interim report should be subject to an independent review by the auditors.

The **facts and assumptions used by the board** to assess the going concern status of Capitec Bank at each year-end are recorded and submitted annually, in terms of the Banks Act (Act 94 of 1990), to the Registrar of Banks.

Audit Committee

The Audit Committee is chaired by an **independent non-executive director with years of experience** in banking. The chairman of the board is not a member of the Audit Committee. The Audit Committee derives its authority and responsibilities from a **board-approved charter** with which it has complied during the year under review.

Audit fees are annually set in advance by the Audit Committee in a manner which should not impact on the scope of the audit.

Non-audit services rendered by our external auditors are limited to ad hoc tax advice and other assurance-related services within the parameters of a policy approved by the Audit Committee limiting such expense to 40% of the annual audit fee; the consideration is disclosed in the annual financial statements.

Internal Audit

Status of internal audit

The company has an **independent internal audit department** with direct access to the chairman and reporting to the chief executive officer. Apart from own employees it functions on a **co-sourced basis with Deloitte as external consultants** and in accordance with a charter approved by the Audit Committee.

The charter formally defines the **purpose, authority and responsibility** of the internal audit activity and is consistent with the Institute of Internal Auditors' definition. The head of internal audit attends all audit and risk and capital management committee meetings and submits a report to each Audit Committee meeting.

Role and function of internal audit

The **internal audit function focuses on adding value** to the operations of Capitec Bank. To this end it emphasises:

- Adherence to company policies and procedures
- Prevention of theft and fraud and
- Production of quality management information.

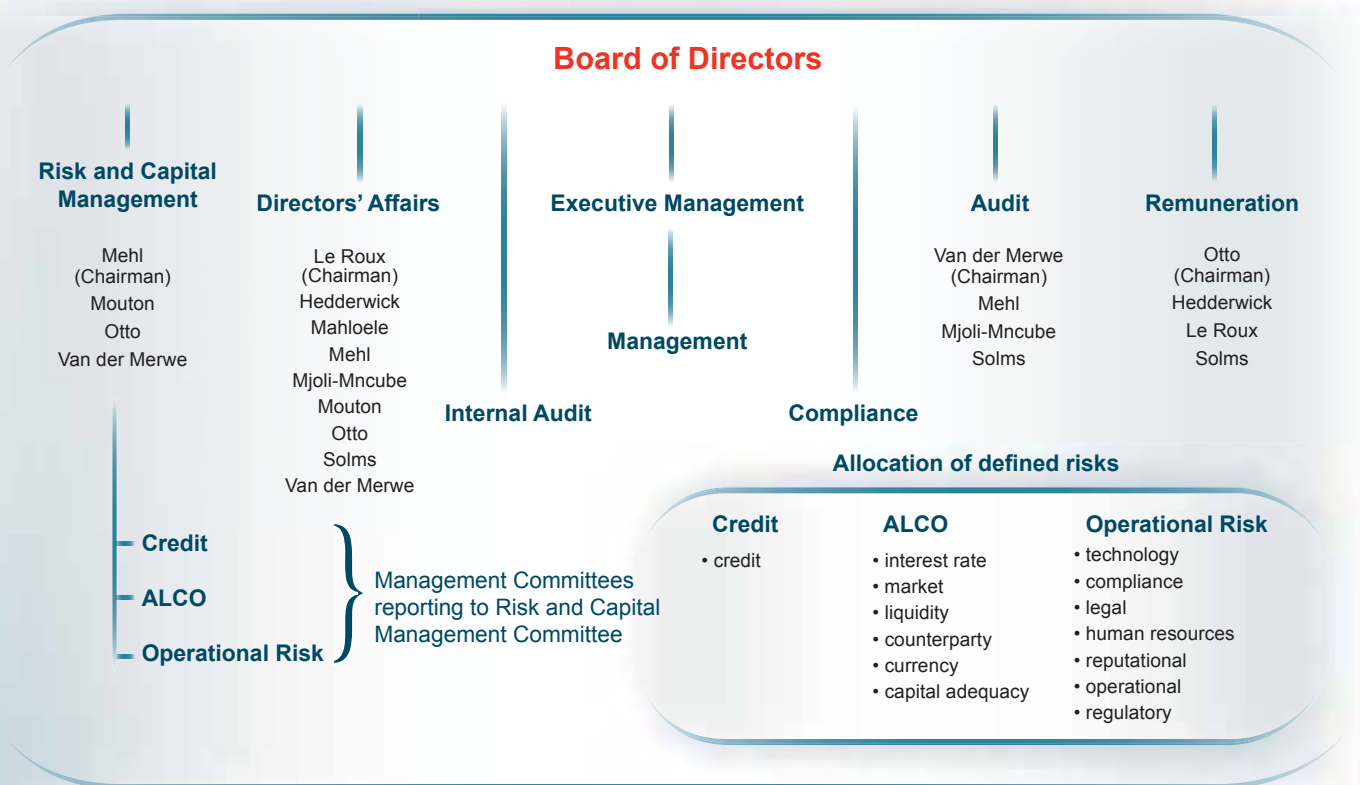
Scope of internal audit

The department **annually submits a coverage plan** to the Audit Committee for approval. The scope of this plan encompasses the **entire business of Capitec Bank** and is drafted with the strategic aim of the Bank in mind. In our developing environment great emphasis is placed on implementation and efficiency of systems. In addition, the **operational environment** is closely monitored and assurance derived that controls are functioning adequately. Increased emphasis is placed on development of centralised monitoring. In this process, any deficiency detected in governance is escalated to management for action.

Risk management framework and responsibility

Capitec Bank views risk management as a measure of ensuring a **responsible return on shareholders' equity**. Ultimately, the board remains responsible for risk management. To assist them in performing this duty, the company is managed through a system of internal controls functioning throughout the entity so that **an awareness of risk pervades every aspect of our business** and is seen as the responsibility of each and every employee of Capitec Bank.

Risk Framework



The board has established a Risk and Capital Management Committee, chaired by an independent non-executive director. The committee has a formal charter in accordance with which it assists the board in reviewing the processes followed to identify risk and consider such risks in the Capitec Bank environment. The committee also assists the board in ensuring that risk assessment is an ongoing process and that a formal risk assessment is undertaken at least quarterly.

Sub-committees comprising executives and senior management have been established to deal in a structured manner with specific risks facing the company:

- Operational Risk Committee (ORCO) – legal, regulatory compliance, technology, human resources, operational and reputational risk;
- Assets and Liability Committee (ALCO) – interest rate, market, liquidity, counterparty, currency and capital adequacy risk; and
- Credit Committee – credit risk.

Risk and Capital management

Risk management and capital management are directly linked.

Risk capital represents a reserve for those risk exposures where, after applying cost-effective risk management techniques, residual risk remains. Residual risk exists given the inherent uncertainty related to expectations of the future, the potential for unexpected losses as well as losses expected to occur in the future not fully captured, accounted and provided for in terms of International Financial Reporting Standards (IFRS).

In addressing capital matters the Bank manages both the so-called supply and demand factors impacting capital adequacy. Supply-side risk is the risk related to procuring appropriate capital resources at appropriate pricing and times to fund operations and meet the stipulated requirements of regulators and rating agencies. Demand-side risk is the management of risks impacting negatively on earnings and capital, which is the traditional risk management side of the business. Management of demand-side risk also involves monitoring the growth in risk-weighted assets which drives the growth in the regulatory capital requirement.

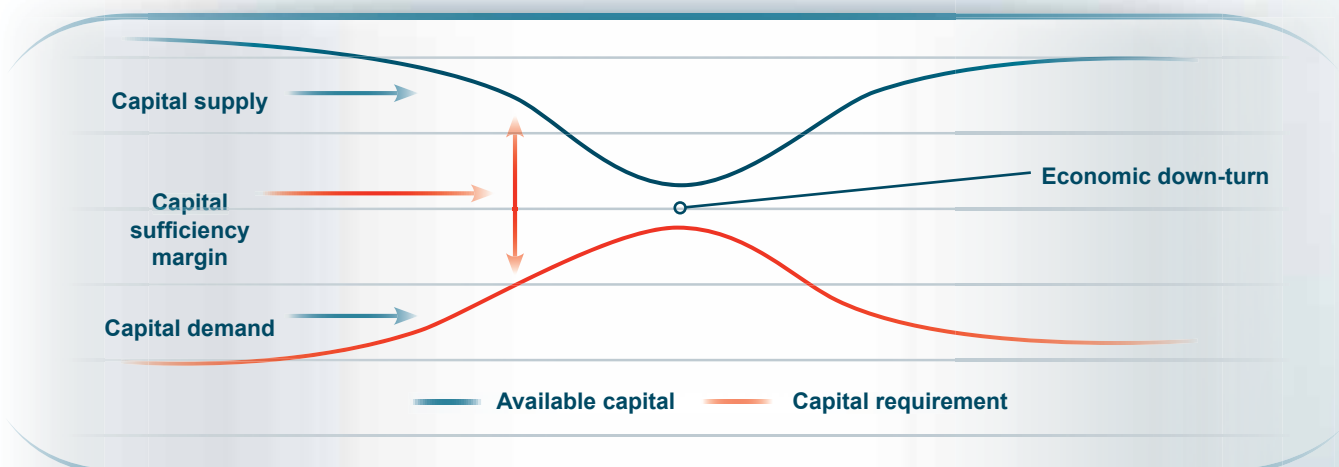
Capital management

The Bank's principal objectives when managing capital are:

- To address the expectations of its shareholders, and so **optimise business activities** to ensure return on capital targets are achieved through **efficient capital management**
- To ensure that the Bank holds sufficient risk capital, including capital to be held as a buffer for unexpected losses to **protect shareholders and depositors**, to assure the sustainability of the Bank through the business cycle. This view is consistent with the Bank's long-term strategy of building value.

The above two principles counter-balance each other by aiming to maximise returns to shareholders, but not at the expense of the needs of other stakeholders.

Capital Sufficiency in an Economic Down-turn



The CICAAP addresses the sufficiency of capital during a down-turn in the business cycle.

- Typically, **capital supply** is less due to losses or lower appetite for capital issues at lower prices in an economic down-turn
- Typically, **capital demand** is higher as risk-sensitive measures will demand more capital reserving, for example deteriorating credit experience

This approach **safeguards the long-term sustainability of the Bank** and its ability to continue as a going concern so that it can continue to provide satisfying returns for all its stakeholders. Implicit in this responsible approach is compliance with the capital requirements of the Banks Act and Regulations thereto (Regulations) and the maintenance of a strong capital base to support the development and growth of the business.

Capital risk governance

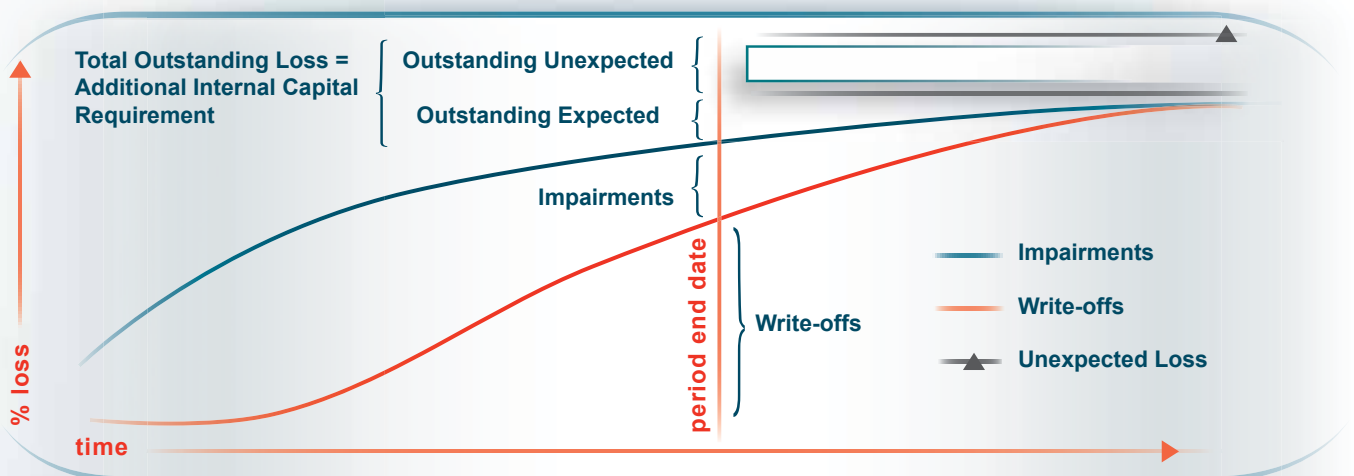
ALCO considers reports on the capital status of the Bank on a monthly basis. ALCO reports to the Risk and Capital Management Committee in terms of the risk management framework. Capital adequacy and the use of regulatory capital are reported monthly to the South African Reserve Bank, in line with the requirements set out in the Regulations.

Capitec Internal Capital Adequacy Assessment Process (CICAAP)

In the achievement of its objectives the Bank conducts a CICAAP on an ongoing basis, which drives the Bank’s position on capital management matters. The CICAAP addresses the management of capital and solvency risk and the risks arising from the procyclicality of the Bank’s specific business operations through the economic cycle.

The CICAAP reviews the historical, current and future capital positioning of the Bank both from a regulatory and management or internal capital perspective. An essential element of the process includes forecasting the Bank’s capital supply requirements, including “stressing” the expected forecast to determine the sufficiency of capital in a down-turn of the economic cycle as, typically, regulatory capital demand requirements increase, whilst qualifying capital supply decreases in times of economic downturn.

CICAAP Credit Stress Testing



The above is a stylised representation of the treatment of losses that may arise on a loan portfolio.

In considering the capital requirement for credit risk from a management perspective the Bank assesses what outstanding losses, i.e. losses not written-off or provided for, exist. These are typically the future and unexpected losses not captured in terms of the IFRS framework.

Statistical projections are made, on a product level, using historical roll rates that are adjusted for hypothetical future economic scenarios to stress test the sufficiency of capital. Three scenarios were computed:

- Expected economic scenario
- Down-turn economic scenario
- Worst-case economic scenario

In terms of our analysis we are adequately capitalised in the event of a worst-case scenario occurring.

Roll Rates: Clients’ roll rates are their changes in credit status from one period to another. A client’s credit status can deteriorate (roll forward), maintain the status quo (spin) or improve (roll back).

Part of the process then involves determining appropriate management actions to address any anticipated capital needs to weather a down-turn in the cycle.

Risk management is an integral element of the CICAAP given the inter-relationship between capital and risk management. As such, management considers the capital required to underwrite the risks of the business. This is assessed both before and after applying risk management and risk mitigation techniques so as to determine the outstanding residual risk and related capital reserving requirement.

- **Broad participation by management**

The CICAAP involves **broad-based participation from all the key risk owners** in the Bank and it is subject to review by internal audit and relevant external consulting specialists who benchmark our process against best practice.

- **Basel II calculation methods for credit and operational risk capital**

The CICAAP involves assessing capital from a business and regulatory perspective. The regulatory capital requirement is calculated using a percentage applied on a base; that base being the Bank's risk-weighted assets. There are various methods used for the calculation of risk-weighted assets in terms of the Regulations. As at the year-end reporting date Capitec Bank's calculations of risk-weighted assets for credit risk and equity risk in the banking book were governed by the application of the "Standardised" approach, whilst its calculation of operational risk

was governed by the Basic Indicator Approach (BIA). In terms of the BIA a factor of 1.88 is applied to the average gross income for the past three years to arrive at a risk-weighted equivalent on which the minimum capital adequacy percentage is applied to calculate the capital requirement.

Quantitative information on capital adequacy is presented on page 46 in Note 24.6 of the Bank's annual financial statements.

- **Developments**

Our current internal capital calculations indicate that we are more than **sufficiently capitalised from a business perspective**. However, we can achieve greater regulatory capital efficiency by applying the more advanced approaches for operational and credit risk management in terms of the Basel II methodologies. As such we made a successful application to apply the Alternative Standardised Approach (ASA) for operational risk, an approach better suited to our business model. We received notification of approval of our application after year end. The new ASA calculation method is effective from 1 April 2008. If the ASA had been used in the calculation of the Banks' capital adequacy as at 29 February 2008, the capital adequacy ratio would have been 53% as against the 36% reported using the BIA.

Our internal calculations on credit risk requirements show that we can also make significant gains in regulatory capital management by applying the Foundation Internal Ratings Based approach (FIRB). This is **indicative of the lower risk profile of our Bank**

Total regulatory capital requirement

The total regulatory capital requirement reflected in terms of the Regulations is as follows:

	Bank	
	2008* R'000	2007** R'000
Total regulatory capital requirement	814 568	178 248
Credit risk	400 885	148 491
on balance sheet	400 634	130 547
off balance sheet	251	17 944
Operational risk	339 105	-
Equity risk in the banking book	3 606	1 827
Other assets	70 972	27 930
Property and equipment	48 547	22 219
Intangible assets (software)	9 405	5 429
Other receivables	13 020	282

* Calculated in terms of Basel II rules

** Calculated in terms of Basel I rules

which operates a retail banking business model. Our internal credit models are already more than sufficiently sophisticated to allow us, with only some additional investment and customisation, to achieve **potentially significant savings in regulatory capital requirements for credit risk.** We shall investigate the potential benefits and further requirements in the course of the year ahead.

Restrictions on transfer of capital

As the operations of the Bank are in South Africa, the only restrictions on the transfer of capital within the Bank relate to the statutory limitations on investments in certain associates in terms of the Banks Act.

Risk management

The biggest risks facing Capitec Bank reside in liquidity management, information technology, human resources and credit extension. The emphasis thus tends to fall in these areas. However, to enhance shareowners' and other stakeholders' interests, all risks are mitigated to an acceptable level relative to the return produced by the activity concerned. This remains a central theme of the manner in which Capitec Bank conducts business. The company operates in a structured manner with defined processes and procedures enabling risk assessment within a controlled environment. Existing controls are assessed and if necessary, adjusted. Thereafter reports are generated at regular intervals to enable monitoring of risk levels.

Financial risk management

The Bank's concept of day to day financial risk management extends beyond the IFRS accounting definitions of financial risks and includes the following: credit, liquidity, interest rate, equity risk in the banking book, currency, solvency and capital risk. The Bank does not have any market or counterparty risk, as understood in terms of the Regulations, as the Bank does not conduct trading activities as part of its business strategy. Those risks not already addressed above are discussed:

Credit risk

Credit risk governance

Credit risk management is overseen by the Credit Committee, a sub-committee of the Risk and Capital Management Committee. The composition of the Credit Committee is broad based and includes a cross section of executives and relevant managers from the business. The Credit Committee meets on a weekly basis to consider the activities of the credit risk management department, consider and debate results from arrears and provisioning analysis

for the previous month, and to set and adjust credit policy going forward.

Arrears and bad debts

We measure arrears rates by dividing the value of loans and instalments in arrears that arose during a period into the value of instalments due in that period. This is a better measure than dividing the loans in arrears by the outstanding loan book as some of our short-term loans are granted and repaid in the same month.

Monitoring and reporting of arrears

Our Credit Monitoring department tracks arrears to ensure operational efficiency and compliance by identifying changes in trends and variances from benchmarks using a variety of tools.

Arrears percentages are reported daily and are evaluated on branch, regional, operational (provincial) manager and national levels. Branch performance and incentive targets include arrears targets, appropriately balanced with sales and profit targets.

- **Daily Arrears Dashboard (DAD)**

Daily reporting is done as early as possible, using the DAD, to ensure that **immediate pre-emptive action is taken** on a national, regional or branch level as required. All unexpected spikes are subjected to immediate investigation.

- **Credit Events Log**

All identified credit events are registered on a central credit events log and communicated continuously to branches and operational management. **Developments are reported to the branches by sending updates of the credit events log on at least a weekly basis.**

Economic incidents like employer level retrenchments or industry level strikes are reported to affected branches and preventative action regarding restrictions on further lending, affordability calculations and arrears follow-up is taken. *Ad hoc* emphasis on specific items is communicated by using periodic Credit Alert communications.

Changes in the pay dates of employers are confirmed proactively. Success is measured daily with emphasis on the big pay dates, being the 15th, 20th, 25th-31st days of the month. Incorrect pay date estimations are also registered and quantified on the credit events log and used to educate all in striving to prevent recurrences. This approach also highlights which employers tend not to follow confirmed payment dates.

Each month credit events listed on the log are quantified and fed into the loan impairment process and the operational risk register for reporting to the operational risk committee, where the events are related to operational risks, e.g. system deficiencies. All operational risk incidents like system or interbank challenges are identified,

evaluated and preventative and/or corrective actions are agreed with the Information Technology or Interbank departments.

• Roll rate analysis

We also monitor arrears trends using observed roll rates, derived from historic payment profiles generated by our loans system (the same payment profiles are submitted to the National Loans Register, soon to be the National Credit Register, and the same payment profiles form the basis of our loan impairment models). Variations of the roll rate tables are utilised to understand the level of rehabilitation in the accounts in arrears and to derive new credit screening / granting rules and collection strategies:

- First-payment-defaulter reports for early delinquency pockets, and
- Movement tables to analyse and compare to benchmarks the component of clients moving to better or worse arrears status.

We analyse all of the above arrears perspectives in the following dimensions:

Dimensions of arrears analysis

- | | |
|---|---|
| • different products | • tranches of sales |
| • payment method
<i>(differentiating between bank and non-bank clients (non-bank clients do not deposit their salary with us))</i> | • payment frequency
<i>(differentiating between weekly/ fortnightly)</i> |
| • client number level | • Rand value levels |

Bad debts are identified and managed accordingly by way of system codes, e.g. deceased, under administration, debt review or handed over. All accounts more than 90 days in arrears are written off on general ledger level based on expected discounted cashflows.

• Weekly Credit Committee meetings

Representation at weekly Credit Committee meetings is broad based and includes the majority of the members of the executive management team. These meetings are held every Monday afternoon and in addition to the executive management team include key senior members from the financial management department.

At the first meeting after month-end we discuss the previous month-end arrears and events listed in the credit events log that had or would be expected to have an impact on arrears. These items are then considered in the evaluation of the month's impairments figure at the same meeting.

At every weekly meeting arrears events, arrears trends, concentration risk, training requirements, technical requirements, change management issues, scoring model shifts and new

business referral trends are discussed, actions agreed and monitored.

Quality of new business

• Vintage graph analysis

We utilise vintage graphs to measure the quality of credit screening as the trends indicate improvement or deterioration in each month's sales (a tranche).

We track the cumulative arrears figures at 90 days or handed-over status (deceased or under administration, etc.) for each tranche and divide that into the total original instalments payable.

Our market's ability to pay has also improved over the past year. Lower interest rates and longer term loans are now offered.

• Process changes

We have proactively made the required changes in our credit risk management model to maintain and improve existing levels of arrears against the back-drop of a deterioration in the economic climate and evident growth in volumes and exposure due to the roll out of our longer term products (18-month and 24-month loans in October 2006 and 36-month loans in October 2007).

We have made improvements in the areas of scoring, affordability, pay date management, collections and the end-to-end automation of our processes.

More specifically, the following changes to our credit management process have been completed or are in process:

- **Acceptance** - standardisation and automation of affordability and willingness assessment; fraud checks included; an automated application system that integrates the bureau enquiry, affordability calculation, product rules, allocation of terms of business and creation of contract and loan to payout (Rules Engine) implementation in progress; this will ensure even better process consistency and enable us to perform simulations of considered rule sets and champion challenge these new rules. We will have in-house intelligence of all applications received and rejected to enhance our scoring ability.
- **Control** - proactive pay-date confirmation; effective collections via regulated Non Authenticated Early Debit Order (NAEDO) system; centrally supported early stage follow-up by branches on a purpose-built system; central follow-up and arrangements with clients in arrears by specialised call centres; improved and refined collections strategies.
- **Recovery** – migrated to a user-friendly database to optimise recoveries; structured and skilled to service debt review applications.

Collections

• Collection method

Capitec Bank utilises the regulated NAEDO system to collect instalments on the pay dates of our clients that do not deposit their salaries with us. Collections are as mandated by our clients in terms of their loan contracts; collections are made from their external bank accounts or clients can deposit their salary with Capitec Bank and collections are then made from their Capitec Bank accounts under the same conditions as external NAEDO debits.

• Daily collection processes

Collections are managed proactively with a central focus on large employer pay-date management and decentralised / branch focus on the smaller local employers. Pay dates are reconfirmed, success is evaluated on the morning of pay-date and **follow-up on early stage arrears** is performed by the branches on a special purpose web-based system. Support is provided to the branches by our Business Support Centre (BSC) and a **central monitoring and control unit which assists branches in managing arrears accounts more effectively.**

• Early and late stage collection approach

Early collections **are performed centrally from an internal credit call-centre with some outsourcing to third-party call-centres**, based on a predetermined and continuously reviewed collections strategy. Our legal, or late stage, collections are handed over to various agents who are responsible for tracing and legal action. The agents are managed in terms of mandates and their performance is periodically reviewed. These agents, the handed over accounts database and recoveries are managed by our Capitec Collection Services department (CCS). The Specialised Services area within **CCS has the legal skills, with the support of our Legal department in the Risk Division, to manage the debt review applications, deceased estates and under administration cases.**

• Collection policies

The Credit Committee reviews the various collection policies at least annually.

Impact of the National Credit Act (NCA)

Our NCA project addressed all technical and process requirements before 1 June 2007, the main elements being:

- Automated quotes and pre-agreements.
- New interest rate and fee structure, instead of the flat rate structure that our market was used to, which we have phased into our business since November 2006.
- Our affordability calculation was already automated and

standardised on a client level for each loan advance we made but we added functionality to enable the printing of the affordability calculation on the contract.

- The debt review status codes were added to our system and we can automatically issue the notice of possible handover to our clients when required.

Some of the intended outcomes flowing from the implementation of the NCA on a national level are still work in process. Capitec Bank has adopted a cooperative approach, working with the National Credit Regulator (NCR) to resolve the following outstanding matters:

- **We take part in the moratorium offered on debt review applications** through the Banking Association to help the debt counselling process get off the ground.
- We have signed an agreement as **a member of the National Debt Mediation Association** as part of our efforts to facilitate the best possible route to follow for any distressed client.
- We are registering with the Credit Providers' Association to support the creation of the intended National Credit Register.

At Capitec Bank we welcome what the NCA brought to our market:

- **Protection** (cost to consumer by all credit providers, the demonstration of affordability by all credit providers and debt counselling cooperation by all creditors)
- **Opportunities** (loans of over R10 000, longer term and a wider market)
- **Integration** (microlending, retail and banking).

Credit-granting criteria

We base our credit acceptance decision on the applicant's **Behaviour** (willingness to pay), **Ability** to pay and the **Source** of payment (BAS):

- How you pay (loan instalments paid from salary deposited with Capitec Bank - "Bank" client, collections for "Non-Bank" client via NAEDO or the client is a cash payer)
- Who you get paid by (employer pay-date stability)
- When you get paid (pay-date logic with regard to for example public holidays) and on what frequency (weekly / fortnightly / monthly).

The willingness to pay is established externally by enquiries performed and bureau related policy rules automatically applied on bureau scores and bureau data (system driven). This information is supplemented internally by application of an arrears indicator (system driven). Fraud checks are included in the automated bureau enquiry. The ability to pay is assessed after evaluation and capturing of payslip and bank statement information (system driven).

The source of payment is established by evaluating the payslip details, bank statement and again when confirming employment. The source documentation is scanned and electronically filed as proof of verification.

BANK								
	Average gross exposure ⁽¹⁾		Aggregate gross exposure ⁽²⁾		Exposure post risk mitigation ^{(2) (3)}		Risk weights ⁽²⁾	
	2008 R'000	2007 R'000	2008 R'000	2007 R'000	2008 R'000	2007 R'000	2008 %	2007 %
Total gross credit exposure	2 085 630	1 833 761	2 387 805	1 902 061	2 380 305	1 902 061		
On balance sheet	2 076 123	1 454 174	2 378 298	1 522 474	2 378 298	1 522 474		
Corporate	21 031	85 022	20 797	53 584	20 797	53 584	100	100
Sovereign (SARB)	131 831	125 357	139 249	142 329	139 249	142 329	0	0
Banks	124 990	493 139	45 816	460 356	45 816	460 356	20	20
Retail loans - performing	1 614 114	654 987	1 926 248	762 692	1 926 248	762 692	75	100
Retail loans - impaired	184 157	95 669	246 188	103 513	246 188	103 513	100	100
Off balance sheet	9 507	379 587	9 507	379 587	2 007	379 587		
Corporate guarantees	9 507	9 988	9 507	9 988	2 007	9 988	100	50
Retail - approved undrawn loans	-	135 701	-	135 701	-	135 701	75	50
Capital and rental commitments	-	233 898	-	233 898	-	233 898	0	20

⁽¹⁾ Average gross exposure is calculated based on an average using daily balances for the six months prior to the reporting date as required by the Regulations.

⁽²⁾ Items are reported in line with the Regulations in force at the respective dates and represent exposure before the deduction of qualifying impairments. In certain instances the Regulations require the use of averages based on daily balances for the reporting month.

⁽³⁾ Represents exposure after taking into account qualifying collateral in terms of the Regulations. Amounts are shown gross of qualifying impairments.



Ageing of impaired advances

Bank R'000

Ageing	2008	2007
< 60 days	219 555	90 009
60 - 90 days	26 633	15 864
	246 188	105 873

The risk weightings reflected are the standard risk weightings applied to exposures as required by the Regulations. For the 2008 figures these are the risk weights in terms of the standardised approach to credit risk. Where the Regulations refer to credit ratings, the Bank applies Fitch (international) ratings for all exposures to determine the relevant risk weighting in line with the Regulations' mapping requirements. Refer to Notes 24.6 and 5

in the annual financial statements, respectively, for information on risk-weighted assets and a reconciliation of identified and unidentified impairments. All the impairments shown in Note 5 relate to the retail personal loans portfolio.

In compliance with the Regulations, certain credit exposures totalling R16.7 million (2007: R96.9 million) were deducted from qualifying capital and reserves.

The following table of risk weights applies in terms of the standardised approach to credit risk for portfolios other than retail.

Rating Grades and related Risk Weights

	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	Below B-	Unrated
Sovereigns	0%	20%	50%	100%	150%	100%
Public-sector entities	20%	50%	50%	100%	150%	50%
Banks	20%	50%	50%	100%	150%	50%
Security firms	20%	50%	50%	100%	150%	50%
Banks: short-term claims	20%	20%	20%	50%	150%	20%
Security firms: short-term claims	20%	20%	20%	50%	150%	20%
	AAA to AA-	A+ to A-	BBB+ to BB-	Below BB-		
Corporate entities	20%	50%	100%	150%		100%
	Short-term credit assessment					
	A-1/P-1	A-2/P-2	A-3/P-3	Other		
Banks and corporate entities	20%	50%	100%	150%		

Ratings are not applied to retail exposures. A standard risk weight of 75% is applied to performing exposures whilst impaired exposures attract a standard 100% risk weight.

Analysis of gross exposures by industry sector in terms of the Regulations

All exposures are performing unless otherwise stated.

Bank R'000

Sector	2008*	2007**
	2 387 805	1 902 061
Finance intermediation (Banks)	45 816	481 686
Wholesale and retail trade	17 617	19 625
Sovereign (SARB)	139 249	142 329
Retail personal loans		
Performing	1 922 353	893 990
Impaired	246 188	103 513
Other	16 582	260 918

* Calculated in terms of Basel II rules ** Calculated in terms of Basel I rules

Liquidity

The Bank manages liquidity cautiously and conservatively.

It operates an uncomplicated liquidity profile with a preference for long-term fixed funding. The Bank has exposure to funding liquidity risk but not to market liquidity risk as **the Bank does not conduct a trading operation.**

Liquidity risk governance

Liquidity risk is managed by ALCO in terms of the Bank risk framework. **ALCO comprises broad representation by executive and senior management** and meets monthly to consider the activities of the treasury desk which operates in terms of an approved treasury management policy and in line with approved limits. **The Bank also has the benefit that it has an uncomplicated structure** with one treasury desk with a direct reporting line to the chief financial officer in line with the general Bank ethos of flat reporting structures.

ALCO receives reports on a monthly basis of daily balances on ATMs and funds in transit with cash management service providers, teller cash and money market balances. Other reports include a treasury desk maturity ladder, asset-liability matching, deposit concentrations, progress on funding initiatives, business as usual maturity and contractual maturity reports and minimum liquid asset and reserve balance compliance reports.

Principal policies

Compliance with the treasury management policy results in a low risk liquidity structure. **We are not exposed to the uncertainty that accompanies the use of corporate call deposits as a funding mechanism** and our asset structure, whilst growing in duration, is still relatively short-term in nature. The principal risk management policies governing the management of liquidity risk as defined in the treasury management policy are:

- Wholesale deposit funding is limited to contractual maturities of two months or more.
- Utilisation of retail deposit funding is limited to funding short-duration assets. Surplus retail funding is maintained in call accounts with internationally rated A-1 (short-term rating) South African banks.
- Adequate liquid assets must be maintained in terms of the Banks Act Regulations to fund the liquid asset requirement and the reserve account, and to maintain collateral for balances on the South African Multiple Option Settlement (SAMOS) system account.

Daily cash management

The Bank's daily liquidity requirements are managed by a **single treasury desk that forecasts daily funding requirements.** This is achieved by forecasting liquidity commitments which can be summarised in two broad categories: those which are considered as day-to-day flows and those that relate to large singular obligations.

Daily roll-overs and withdrawals by the retail personal market, growth in the loan book, inflows from settlements adjusted for expected default and cash-in-transit items are forecast and combined with the scheduled contractual cash in-flows and out-flows in terms of the wholesale funding programme and periodic commitments such as dividend and tax payments.

Treasury management **maintains regular daily contact with the central branch management office or Business Support Centre (BSC) to manage the in- and out-of-branch ATM requirements.** Teller cash is maintained at a minimum. The forecasting is supported by behavioural modelling conducted on a regular basis to determine business as usual cash flow requirements including cash stress points in any given month.

The modelling is adjusted for seasonal variations based on historical experience as adjusted for expectations around projected growth and current market dynamics.

The treasurer has **regular contact with all the Bank's large wholesale depositors** to understand their intentions regarding the roll-over of wholesale deposits and negotiation of funding from time to time.

The treasury management desk maintains portfolios of highly liquid assets that can be liquidated to meet unexpected variances in forecast requirements. **In line with the Bank's preference for long-term fixed funding the treasury actively pursues medium- and long-term funding opportunities** to fund the budgeted growth in the activities of the Bank.

Deposit management

From a management perspective no funding is regarded as "permanent" other than funding contracted for fixed terms. We have an observed "core" deposit base within the retail savings component of our deposits which we consider for both interest rate and liquidity purposes.

We utilise **statistical techniques** to estimate this core having due regard for the fluctuations in day-to-day cash requirements, the related supporting historical data as well as our future expectation

of daily cash flows. The established result is then subject to a **review by senior management** and the core is established at a conservative percentage of the empirically determined result. Our internal definitions of core and fluctuating deposits are formally authorised by ALCO.

Interest rates are reviewed monthly to ensure that deposit rates remain competitive. Treasury management assesses concentration risk within the deposit portfolio and **maintains a diversified funding base.** Treasury management constantly reviews the efficient utilisation of cash resources and evaluates new liquidity initiatives to improve the liquidity profile of the Bank that may occur.

Liquidity contingency planning

ALCO receives, on a monthly basis, a stress mismatch report which simulates a stress scenario based on the current asset and liability structure of the Bank for the reporting month. The report also considers the available sources of stress funding to address any strain on the cash flows of the Bank that may occur.

Refer to Note 30.5 of the annual financial statements for quantitative detail on the Bank's static, contractual liquidity maturity gap analysis.

Interest rate risk

The Bank currently has a **conservative interest rate profile** and is less interest sensitive than to the general banking industry.

The Bank's equity and profit and loss have limited uncontrolled exposure to changes in interest rates. This is because the Bank operates a fixed and discretionary interest rate profile for most assets and liabilities.

Interest rate risk governance

ALCO meets formally at least monthly to, inter alia, consider the sensitivity of the Bank to interest rate movements and to review the results of management's analysis of the impact of interest rate movements, including the results of model outputs. ALCO also receives information on yield curve developments, money market interest rates, an economic evaluation with analysis of the likely impact on interest rates and interest rate repricing analysis.

In a declining interest rate environment the Bank's treasury management department may on approval of the ALCO swap out fixed rate exposure if the Bank is of the view that the environment is entering a period of sustained low interest rates in order to minimise funding costs. ALCO also considers the terms and durations of fixed term funding arrangements in view of the medium- to long-term interest rate environment when negotiating pricing.

Regulatory sensitivity analysis

2008		
Sensitivity of equity		
200 basis points shift	R'000	%
Increase	5 169	0.6
Decrease	(8 768)	1.0

The regulatory sensitivity analysis reflects the relative insensitivity of the Bank's equity based on the impact of a 200 basis point increase or decrease in interest rates, calculated on a discounted basis.

The sensitivity of shareholders' equity is analysed by discounting the future, run-off cash flows, for monetary items, inherent in the balance sheet at balance sheet date. A 200 basis points upward and downward parallel shift on a zero coupon yield curve is employed to discount the cash flow data. The yield curve is constructed on a best decency basis utilising relevant government bond data.

Cash flows for floating rate items differ under the specified scenarios (being the upward or downward shift in rates) whilst those for fixed rate assets and liabilities remain constant. The resulting cash flow sensitivity is expressed as a percentage change against the benchmark (expected) cash flows discounted at the expected yield curve rates before any application of the upward or downward shift.

A differentiation is made between the sensitivity calculated on the IFRS basis and that disclosed here, calculated on a regulatory basis, as the regulatory basis considers the overall sensitivity of the value of equity based on a discounted cash flow basis whilst the IFRS sensitivity is prepared on an undiscounted basis.

Equity risk in the banking book

Capitec Bank does not deal or maintain a proprietary position in equity investments. For a limited period the Bank invested surplus cash in preference shares issued by banks in order to secure better after-tax returns than those offered in the general money market. Equity investments in the Bank at the 2008 year-end are strategic in nature being a consequence of normal strategic operational transactions.

All unrealised gains and losses were included in the Bank's income statement. There are no latent unrealised gains or losses on equities not recognised in the income statement and balance sheet.

The Bank did not hold any investments in listed equities at year-end.

Currency risk

All the Bank's operations are within South Africa. The Bank hedges its limited exposure to currency fluctuations which arise on the importation of capital equipment and technological support services. The Bank also has some currency exposure on its strategic investments in VISA and MasterCard.

Hedging

At this time the Bank's authorised use of derivatives as risk mitigation instruments is limited to using forward foreign exchange contracts (FECs) to cover obligations relating to capital equipment, technology and technology support services needed for the core banking activities. FECs are purchased to exactly match the total value of the underlying foreign currency commitment.

Use of any other derivatives must first be approved by ALCO prior to transacting.

Operational risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk.

Operational risk governance

Operational risk is managed in terms of the Bank's Operational Risk Framework (ORF), which is a subset of the risk management framework. The Operational Risk Committee (ORCO) has been established to oversee the operational risk profile of the Bank. The role of the ORCO is to direct, govern and coordinate operational risk management processes in the Bank, in accordance with an approved policy that sets out the expectations and responsibilities relating to operational risk management.

The heads of the Forensic, Internal Audit, Legal and Compliance and Operational Risk management units are members of the ORCO and provide independent monitoring. ORCO also addresses the aspect of technological risk and the Head of the Bank's Information Technology department is a member of the Operational Risk Committee.

Management of operational risk

The management of operational risk is inherent in the day to day execution of duties by management and always has been a central element of the management process.

Regular and frank discussions between managers on operational risks and challenges as well as daily interaction of the executive have contributed to the success of the Bank to date. Whilst this will continue to be a key value in the business, the **Bank has enhanced its operational risk management capacity to support growth.**

A dedicated operational risk manager is responsible for policy, providing guidance in terms of best practice, ensuring consistent implementation and reporting of material exposures or trends to the board and regulatory authorities. Line management accepts accountability for the identification, management, measurement and reporting of operational risk.

The three primary operational risk management processes in the Bank are risk assessment, loss data collection and the tracking of key risk indicators. The results of these processes are utilised to raise awareness of operational risk management and to enhance the internal control environment with the ultimate aim of reducing losses.

The Bank also maintains a comprehensive insurance programme to cover losses from fraud, theft, professional liability claims and damage to physical assets.

Business continuity planning

The Bank has a documented business continuity and disaster recovery plan (BCP) that documents processes to be followed should an extreme event occur. The BCP is tested periodically.

Reputational risk

Capitec Bank views reputational risk as a function of the management of all other risks and the Bank's communication strategy in the marketplace. If the other risks in the Bank are well-managed and this is adequately communicated to the market we are appropriately managing reputational risk. In terms of management approach reputational risk is dealt with by the operational risk committee.

Reputational risk is managed on an ongoing basis through compliance with the disclosure and media policies of the Bank. Disclosure of Bank information is made in our annual financial statements, via public statements made by authorised spokespersons and through periodic disclosure of information on our website in terms of the Banks Act requirements.

Compliance risk

The Bank defines compliance risk as the risk that the procedures implemented by Capitec Bank to ensure compliance with relevant

statutory, regulatory and supervisory requirements are not adhered to and/or are inefficient and ineffective. **The Bank has a Compliance Management System (CMS).**

To achieve successful implementation of the CMS, software was sourced to assist with the assessment of compliance risks, with the documentation of controls and with monitoring activities. Compliance champions were identified, appointed and trained to assist the Bank compliance officer in addressing compliance in the Bank.

The Bank has identified the Banks Act, Companies Act, Financial Intelligence Centre Act, National Payments System Act, Security Services Act and the National Credit Act as key aspects of legislation that should be focussed on in terms of CMS activities. This focus achieves a balanced application of compliance activities relative to the ambit of the business of the Bank.

Compliance risk is dealt with by the operational risk committee.

Key accounting policies relevant to the interpretation of the Bank's risk exposures

The key accounting policies relevant to the interpretation of the Bank's risk exposures are contained in the Bank's annual financial statements on pages 25 to 34.



Annexure A – Attendance by Directors

Committees	Board	Audit	Remuneration	Risk and Capital Management	Directors' Affairs
Number of meetings in the period of review	6	3	4	2	2
MS du P le Roux (Chairman)	6	3*	4	-	2
AP du Plessis	6	3*	1*	2*	-
KA Hedderwick ⁽¹⁾	1	-	-	-	-
TD Mahoele ⁽²⁾	4	-	-	-	2
MC Mehl	5	-	3	2	2
NS Mjoli-Mncube	5	3	-	-	2
JF Mouton ⁽³⁾	2	1*	-	-	-
PJ Mouton ⁽⁴⁾	2	-	-	-	-
CA Otto	6	3	4	-	2
JG Solms	6	-	3	2	2
R Stassen	6	3	4*	2*	-
JP van der Merwe ⁽⁵⁾⁽⁶⁾	3	2	-	-	1
J van Zyl Smit ⁽⁷⁾	2	1	-	-	-

Notes:

⁽¹⁾ Appointed to the board effective 10 December 2007

⁽²⁾ Appointed to the board effective 1 April 2007

⁽³⁾ Resigned from board effective 4 October 2007

⁽⁴⁾ Appointed to the board effective 5 October 2007

⁽⁵⁾ Appointed to the board effective 27 September 2007

⁽⁶⁾ Appointed chairman of the Audit Committee effective 27 September 2007

⁽⁷⁾ Resigned from the board effective 26 September 2007

* Attendance by invitation

Annexure B – Composition of board and board committees

Committees	Purpose	Composition	Quorum	Frequency of meetings
1. Board of Directors	The Board of Directors is responsible for the strategy and overall management of the company	The Board consists of: 3 non-executive directors TD Mahloele <i>(appointed 1 April 2007)</i> JF Mouton <i>(resigned 4 October 2007)</i> PJ Mouton <i>(appointed 5 October 2007)</i> CA Otto 6 Independent non-executive directors MS du P le Roux <i>(Chairman)</i> KA Hedderwick <i>(appointed 10 December 2007)</i> MC Mehl <i>(Prof)</i> NS Mjoli-Mncube <i>(Ms)</i> JG Solms JP van der Merwe <i>(appointed 27 September 2007)</i> J van Z Smit <i>(Dr)</i> <i>(resigned 26 September 2007)</i> 2 executive directors R Stassen <i>(CEO)</i> AP du Plessis <i>(CFO)</i>	A majority of directors for the time being in office of which at least 50% must be non-executive	6 times a year
2.1 Executive Management Committee	Responsible for operational decision making and approvals of administrative nature on an ongoing basis	R Stassen <i>(Chairman)</i> AP du Plessis GM Fourie CG van Schalkwyk	3 members	Once a week

Annexure B – Composition of board and board committees

Committees	Purpose	Composition	Quorum	Frequency of meetings
2.2 Management Committee	Responsible for operational decision making and implementation of strategic decisions approved by the board	R Stassen (<i>Chairman</i>) IC Abrahams* JE Carstens F Davids* A P du Plessis CG Fischer GM Fourie A Olivier C Oosthuizen CG van Schalkwyk L Venter * Appointed to the management committee in February 2008	3 members	Once a month (members meet weekly to report on operational matters)
3. Directors' Affairs Committee	Responsible for evaluation of board effectiveness; senior management and board succession planning; corporate governance	All non-executive directors	Majority of members	Twice a year
4. Audit Committee**	Oversees financial controls, reporting and disclosure	JP van der Merwe (<i>Chairman</i>) MC Mehl NS Mjoli-Mncube JG Solms Independent attendee HD Nel (<i>External audit partner – PricewaterhouseCoopers</i>) Management attendees J-HC de Beer (<i>Compliance officer</i>) J Delpont (<i>Operations Risk Manager</i>) AP du Plessis J Gourrah (<i>Internal Audit</i>) R Stassen CG van Schalkwyk (<i>Risk management</i>) (<i>secretary</i>)	50% of members of which 50% must be non-executive directors	Three times a year
5. Remuneration Committee***	Directors' and senior executives' remuneration is discussed and determined as well as levels of remuneration, adjustment thereof at intervals and, when applicable, additional remuneration such as bonuses and incentives, including share option incentives	CA Otto (<i>Chairman</i>) KA Hedderwick MS du P le Roux JG Solms Management attendees R Stassen L Venter	Majority of members	Twice a year
6. Risk and Capital Management Committee***	Identification of all risks and assists the board in reviewing the risk management systems and processes and the significant risk facing the company	MC Mehl (<i>Chairman</i>) PJ Mouton CA Otto JP van der Merwe Management attendees J-HC de Beer J Delpont AP du Plessis J Gourrah R Stassen CG van Schalkwyk	Majority of members	Twice a year

** Reconstituted in March 2008

*** Reconstituted in April 2008

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

CAPITEC BANK LIMITED ("*the Bank*")

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of Capitec Bank Limited. The financial statements presented on page 21 to 53 have been prepared in accordance with International Financial Reporting Standards (IFRS), and include amounts based on judgments and estimates made by management.

The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and that all Statements of IFRS that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the group and company at year-end. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and consistency with the financial statements. The directors have the responsibility for ensuring that accounting records are kept. The accounting records should disclose, with reasonable accuracy, the financial position of the companies to enable the directors to ensure that the financial statements comply with relevant legislation.

Capitec Bank Limited operated in a well established control environment, which is documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are being controlled.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the company.

The Bank adhered to the Code of Corporate Practices and Conduct.

The Bank's external auditors, PricewaterhouseCoopers Incorporated, audited the financial statements and their report is presented on page 20.

The financial statements were approved by the Board of directors on 1 April 2008, and are signed on its behalf by:



Michiel le Roux
Chairman



Riaan Stassen
Chief Executive Officer

CERTIFICATE BY THE COMPANY SECRETARY

I hereby certify, in terms of section 268G of the Companies Act, No 61 of 1973, that to the best of my knowledge, for the year ended 29 February 2008, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.



Christian van Schalkwyk
Company Secretary
Stellenbosch
1 April 2008

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF CAPITEC BANK LIMITED

We have audited the annual financial statements of Capitec Bank Limited, which comprise the balance sheet as at 29 February 2008, the income statement, the statement of changes in equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 21 to 53.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

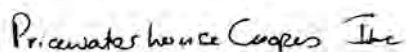
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company as at 29 February 2008, its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.



PricewaterhouseCoopers Inc

Director: HD Nel

Registered Auditor

Cape Town

1 April 2008

BALANCE SHEET
as at 29 February 2008

	Notes	2008 R'000	2007 R'000
Assets			
Cash and cash equivalents	3	617 501	1 043 215
Investments at fair value through profit or loss	4	14 424	111 933
Loans and advances to customers	5	2 016 385	803 026
Other receivables	6	19 063	9 250
Group loans receivable	7	5 272	7 305
Equipment	8	194 189	153 918
Intangible assets	9	37 619	42 604
Deferred income tax assets	10	33 074	41 656
Total assets		2 937 527	2 212 907
Liabilities			
Deposits at amortised cost	11	1 474 689	841 065
Deposits held at fair value through profit or loss	12	52 425	54 382
Trade and other payables	13	183 886	173 968
Current income tax liabilities		47 395	79 073
Provisions	14	-	3 850
Group loans payable	15	9 179	7 814
Total liabilities		1 767 574	1 160 152
Equity			
Capital and reserves			
Ordinary share capital and premium	16	1 117 671	1 117 671
Non distributable reserves	17	-	2 439
Accumulated loss		(102 324)	(221 961)
Share capital and reserves attributable to ordinary shareholders		1 015 347	898 149
Non-redeemable, non-cumulative, non-participating preference share capital and premium	16	154 606	154 606
Total equity		1 169 953	1 052 755
Total equity and liabilities		2 937 527	2 212 907

INCOME STATEMENT
for the year ended 29 February 2008

	Notes	2008 R'000	2007 R'000
Interest income	18	740 759	968 312
Interest expense	18	(101 315)	(69 711)
Net interest income		639 444	898 601
Net fee income		653 400	111 557
Loan fee income		574 584	76 943
Transaction fee income		168 361	93 671
Transaction fee expense		(89 545)	(59 057)
Dividend income	19	15 392	1 469
Net impairment charge on loans and advances to customers	20	(230 873)	(161 271)
Net movement in financial instruments held at fair value through profit or loss	21	7 818	(857)
Other income		8	75
Income from operations		1 085 189	849 574
Operating expenses		(794 785)	(653 826)
Operating profit before tax	22	290 404	195 748
Income tax expense	23	(86 556)	(62 551)
Profit for the year		203 848	133 197

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 29 February 2008

	Ordinary share capital and premium R'000	Preference share capital and premium R'000	Non distributable reserves R'000	Accumulated loss R'000	Total R'000
Balance at 01 March 2006	718 236	-	710	(298 980)	419 966
Shares issued during the year	400 000	160 000	-	-	560 000
Share issue expenses	(565)	(5 394)	-	-	(5 959)
Net profit for the year	-	7 616	-	125 581	133 197
Ordinary dividend	-	-	-	(46 833)	(46 833)
Preference dividend	-	(7 616)	-	-	(7 616)
Transfer to statutory provision reserve	-	-	1 729	(1 729)	-
Balance at 28 February 2007	1 117 671	154 606	2 439	(221 961)	1 052 755
Net profit for the year	-	17 011	-	186 837	203 848
Ordinary dividend	-	-	-	(69 639)	(69 639)
Preference dividend	-	(17 011)	-	-	(17 011)
Transfer from statutory provision reserve	-	-	(2 439)	2 439	-
Balance at 29 February 2008	1 117 671	154 606	-	(102 324)	1 169 953
Notes	16	16	17		

CASH FLOW STATEMENT
for the year ended 29 February 2008

	Notes	2008 R'000	2007 R'000
Cash flow from operating activities			
Cash flow from operations	27	(220 487)	258 561
Tax paid	28	(109 652)	(21 517)
		(330 139)	237 044
Cash flow from investing activities			
Investment in equipment	8	(100 522)	(71 057)
Investment in computer software	9	(16 047)	(14 799)
Proceeds from disposal of equipment		884	148
Decrease in loans receivable from group companies		761	3 152
Acquisition of investments at fair value through profit or loss		(169 224)	(108 213)
Disposal of investments at fair value through profit or loss		272 586	-
		(11 562)	(190 769)
Cash flow from financing activities			
Increase (decrease) in group loans payable		1 365	(92 186)
Dividends paid*	29	(85 378)	(46 833)
Shares issued	30	-	554 041
		(84 013)	415 022
Net increase in cash and cash equivalents			
		(425 714)	461 297
Cash and cash equivalents at beginning of year		1 043 215	581 918
Cash and cash equivalents at end of year	3	617 501	1 043 215

* Dividends paid have been moved from cash flow from operating activities to cash flow from financing activities in line with recommended accounting practice.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial instruments held at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

1.2 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including: cash and balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks, money market investments and short-term government securities. Cash and cash equivalents are stated at cost which approximates fair value due to the short-term nature of these instruments.

1.3 Financial instruments

1.3.1 The Bank categorises its financial assets in the following categories:

The Bank recognises financial assets on the balance sheet only once it becomes a party to the contractual terms of the particular financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Management determines the categorisation of its investments at initial recognition and re-evaluates this categorisation at each reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-classes: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is categorised as held for trading if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are categorised as held for trading unless they are designated as hedges.

Purchases and sales of financial assets at fair value through profit or loss are recognised on trade date, being the date on which the Bank commits to purchase or sell the asset.

Gains and losses on financial assets at fair value through profit or loss are measured as the difference between fair values and the carrying amounts adjusted for dividend income (1.15.3), and are included in the income statement.

(b) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are categorised as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the advance. Included within this category are Bank loans receivable and other receivables.

Loans and advances are recognised when cash is advanced to the borrowers.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

(c) Held-to-maturity investments

The Bank currently has no held-to-maturity investments. Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Were the Bank to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and re-categorised as available-for-sale.

(d) Available-for-sale financial assets

The Bank currently has no available-for-sale financial assets. Available-for-sale financial assets are assets that management intend to hold on a continuing basis, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Financial assets, other than those held at fair value through profit or loss, are initially recognised at fair value plus transaction costs.

Financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets are subsequently carried at fair value. Loans and advances are carried at amortised cost using the effective interest rate method. Gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the income statement in the period in which they arise.

The fair values of quoted financial assets in active markets are based on current bid prices.

1.3.2 The Bank categorises its financial liabilities in the following categories:

The Bank recognises a financial liability once it becomes a party to the contractual terms of the financial instrument. Financial liabilities, other than those held at fair value through profit or loss, are recognised initially at fair value, generally being their issue proceeds net of transaction costs incurred.

A financial liability, or part of a financial liability, is derecognised once the obligation specified in the contract relating to the financial liability is discharged, cancelled or has expired.

(a) Deposits held at amortised cost

Deposits held at amortised cost are recognised initially at fair value and are subsequently stated at amortised cost using the effective interest method. Any differences between net proceeds and the redemption value are recognised in the income statement over the period of the borrowing using the effective yield method.

(b) Deposits held at fair value through profit or loss

These deposits are fair valued by discounting the value using an appropriate discount rate determined with reference to quoted rates on market instruments with similar credit characteristics and maturities.

Financial liabilities are designated at fair value through profit or loss, where required in order to eliminate or reduce measurement or recognition inconsistencies that would otherwise arise from measuring liabilities on different bases; or if a group of financial liabilities is managed and its performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about this group is provided internally on that basis to the Management Committee and Board of Directors.

Gains and losses arising from changes in the fair value of deposits held at fair value through profit or loss are included in the income statement in the period in which they arise.

(c) Other financial liabilities

Included within this class of financial liabilities are trade and other payables, provisions and bank loans payable that will be settled in cash and cash equivalents. Trade and other payables and bank loans payable are recognised initially at fair value and are subsequently stated at amortised cost using the effective interest rate method. Refer to Note 1.10 for the accounting policy applied in measuring provisions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1.3.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Deferred loan income reduces the outstanding loans and advances balance on the basis that the revenue will be received when the underlying loans are repaid.

1.3.4 Derivative financial instruments

Derivative financial instruments are restricted to forward foreign exchange contracts which are initially recognised in the balance sheet at fair value (including transaction costs) and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices. All contracts are carried as assets when fair value is positive and as liabilities when fair value is negative. Derivatives are held only to cover economic exposure.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

1.3.5 Financial guarantee contracts

A financial guarantee contract is a contract that requires the Bank (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee liabilities are initially recognised at fair value and then amortised over the life of the financial guarantee. Subsequent to initial recognition, the financial guarantee liability is measured at the higher of the present value of any expected payment, when a payment under the guarantee has become probable, and the unamortised premium.

1.4 Impairment of advances

The estimation of allowances for impairments is inherently uncertain and depends on many factors, including general economic conditions, structural changes within industries, changes in individual customer circumstances and other external factors such as legal requirements, regulatory specifications and governmental policy changes.

Loans and advances are stated net of identified impairments and incurred but unidentified impairments.

Loans and advances are considered impaired if, and only if, there is objective evidence of impairment as a result of events that occurred after initial asset recognition (known as loss events) and these loss events have an adverse impact on the assets' estimated future cash flows that can be reliably measured.

Objective evidence that loans and advances may be impaired; includes the following observable data:

- (a) A breach of contract, such as a default or delinquency in interest or principal payments. In this regard instalments past due date are considered in breach of contract.
- (b) Historical loss experience of groups of financial assets with similar repayment terms.
- (c) Data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Bank including:
 - Adverse changes in the payment status of borrowers in the group; or
 - National or local economic conditions that correlate with defaults on the assets in the group.

In determining whether a loss event has occurred; loans and advances are subjected to regular evaluations of the overall client risk profile and payments record.

The historical loss experience is adjusted on the basis of observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

On a collective basis, the Bank assesses whether objective evidence of impairment exists for groups of financial assets with similar repayment terms. If there is objective evidence that an impairment loss on loans and

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

advances has been incurred, the amount of the loss is measured as the difference between the assets' carrying amounts and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the respective financial assets' original effective interest rates (the recoverable amount).

1.4.1 Identified impairment

Advances within the Bank comprise a large number of small homogenous assets. Statistical techniques are used to calculate impairment allowances collectively, based on historical default and recovery rates. These statistical analyses use as primary inputs the extent to which accounts in the portfolio are in arrears and historical loss experience on the eventual losses encountered from such delinquent portfolios.

These statistics feed discounted cash flow models which have been developed for each of the loan products offered by the Bank. The models are updated periodically in order to reflect appropriate changes in inputs.

Models contain both judgemental and non-judgemental inputs. The extent of judgement utilised in models developed for new loan products is greater than that for older products given the limited historical experience available for the new products.

In outline, the statistical analyses are performed on a portfolio basis as follows:

- Loans and advances are monitored on a product basis, with each month's advances being treated as a discrete portfolio, on which an analysis of the run-off of recoveries, in period buckets, is performed in order to develop a historical base for statistics on probability of default (PD).
- These derived statistics, based on actual experience, are used in plotting values on a model curve that reflects the risk profile of the portfolio.
- Loans in arrears by more than 90 days are handed over for collection and written off. Recoveries from these loans are regarded as negligible as collateral is not required for the granting of advances in the current product range.
- Upon write off the accrual of interest income on the original term of the advance is discontinued.

1.4.2 Incurred but unidentified impairment

In addition to the impairment estimated for assets with recognised objective evidence of impairment, an estimate is made for impairments associated with those assets in the balance sheet that are impaired, but for which objective evidence is not yet available.

- The impairment calculation utilises the results of the statistical analyses referred to above to estimate the proportion of assets in each portfolio that are likely to display objective evidence of impairment over the emergence period. The emergence period is defined as the experience of the length of time that it takes for objective evidence to become apparent after the asset has become impaired.
- In considering the occurrence of a loss event over the life of a loan, it is assumed that there is a constant risk of the loss event occurring at any point in the life of the loan.
- For a portfolio of loans in a particular month most of the provision is recognised in the early stages of the contractual period as the outstanding loan balances are larger.

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce differences between loss estimates and actual loss experience.

All impaired loans and advances are reviewed on a monthly basis and any changes to the amount and timing of the expected future cash flows compared to previous estimates will result in a change to the charges for impairment of loans and advances in the income statement.

1.4.3 Loan write-offs

Loans (and the related impairment allowance accounts) are normally written off in full for amounts in arrears for more than 90 days.

1.5 Interest-free loans granted

Interest-free Group loans with no fixed maturities are carried at cost net of impairment.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1.6 Current tax

Income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. Secondary tax on companies (STC) is calculated in terms of the applicable tax law and disclosed as part of the tax expense on the income statement.

1.7 Deferred tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax laws and rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The principal temporary differences arise from depreciation of property and equipment, revaluation of certain financial assets and liabilities and tax losses carried forward. Deferred tax assets are raised only to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised.

A deferred tax asset is raised on unutilised secondary tax on companies (STC) credits, to the extent that these will be used in future years.

1.8 Property and equipment

All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they were incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

• Banking application hardware	3 - 5 years
• Automated teller machines	8 years
• Computer equipment	3 - 5 years
• Office equipment	5 - 8 years
• Motor vehicles	5 years

The assets' residual values and useful lives are annually reviewed and adjusted, if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1.9 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Bank's share of the net identifiable assets at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The Bank has no subsidiaries.

(b) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software is carried at cost less accumulated amortisation and impairment losses.

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Amortisation on computer software is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Banking application software 6 years
- Server software 3-5 years
- Desktop application software 2-4 years

The assets' useful lives are annually reviewed and adjusted where appropriate.

1.10 Impairment of non-financial assets (property and equipment, computer software)

Equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.11 Provisions

Provisions for expenses are obligations of the Bank for which there is uncertainty as to the timing or amount of the outflow of economic resources. Provisions are recognised when:

- the Bank has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1.12 Share capital

(d) Categories of share capital

Authorised Share Capital consists of

- 5 000 000 000 ordinary shares (par value R0.01) and
- 100 000 000 non-redeemable, non-cumulative, non-participating preference shares (par value R0.01).

(e) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(f) Dividends declared

Dividends on ordinary shares and preference shares are recognised in equity in the period in which the Bank's directors have approved them. Dividends for the year that are declared after the balance sheet date are dealt with in the directors' report.

1.13 Employee benefits

(a) Pension obligations

The Bank contributes to a provident fund classified as a defined contribution fund.

For defined contribution plans, the Bank pays fixed contributions to privately administered provident fund plans on a contractual basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Share-based compensation

The Bank operates a cash-settled, share-based compensation plan. The fair value of the liability incurred for employee services received is recognised as an expense over the vesting period. Until the liability is settled, the Bank re-measures the fair value of the liability at each reporting date and at the date of settlement, with any changes in value recognised in profit or loss for the period.

1.14 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Bank's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in South African Rands ("Rand"), which is the Bank's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items are reported as part of the fair value gain or loss.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1.15 Revenue recognition

1.15.1 Interest income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost and at fair value through profit and loss using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

1.15.2 Fee income

Transaction fees are recognised on an accrual basis in the period in which the services are rendered. The portion of loan origination fees that relates to the creation of a financial asset is amortised over the term of the loan. Transaction and service related loan fee income is recognised when the services are provided.

1.15.3 Dividend Income

Dividend income is recognised in the income statement when the entity's right to receive payment is established. Dividends on listed preference shares are accrued on a day to day basis based on the terms of the underlying instrument.

1.16 Leases

(a) Where the Bank is the lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any penalty payment to the lessor is recognised as an expense in the period in which termination takes place.

(b) Where the Bank is the lessor

Rental from the sub-letting of leased premises is recognised on a straight-line basis over the lease term.

1.17 Standards, interpretations and amendments to published standards applied for the first time during the current financial year

- Amendments to IAS1 Presentation of Financial Statements – Capital Disclosures (effective from January 2007)
- IFRS 7 Financial Instruments (Disclosures) (effective from January 2007)
- IFRIC 9 Reassessment of embedded derivatives (effective from 1 June 2006)
- IFRIC 10 Interim Financial Reporting and impairment (effective from 1 November 2006)

The implications of these statements have no impact on measurements of assets and liabilities at previous year-end. Comparatives are provided for new disclosures.

IFRIC8, AC503 and IFRIC 11 are compulsory for the current year but were adopted early in the previous year (2007).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1.18 Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Bank's accounting periods beginning on or after 1 March 2008 or later periods but which the Bank has not early adopted, as follows:

- IFRS 8 Operating Segments (effective from January 2009)
- IAS 23 Borrowing Costs – Revised (effective from January 2009)
- IAS 1 Presentation of financial statements (effective from January 2009)
- IFRIC 12 Service Concession Arrangements (effective from January 2008)
- IFRIC 13 Customer Loyalty Programmes (effective from July 2008)
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from January 2008)
- IFRS 3 Business Combinations Revised (effective July 2009)
- IAS 27 Consolidated and Separate Financial Statements Revised (effective July 2009)
- Amendment to IAS 32 Financial Instruments: Presentation regarding puttable instruments (effective July 2009)

Management is in the process of assessing the impact of these amendments and standards on the reported results of the Bank.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In conformity with IFRS, the preparation of financial statements for the Bank requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions that may be undertaken in the future, actual results may ultimately differ from estimates.

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the expected default rates increase or decrease by 5 %, the impairment allowance would be estimated R12 687 000 (2007: R7 055 000) higher or R12 706 000 (2007: R6 939 000) lower.

Property and equipment

Property and equipment are depreciated over their useful lives, taking into account their residual values at the end of their useful lives. The residual values and useful lives are based on industry knowledge and past experience with similar assets. Refer to Note 1.9 for the accounting policy regarding property and equipment.

Management expense provisions

At year-end, the Bank is exposed to various liabilities of uncertain timing or amount. Such liabilities are provided for if a present obligation has arisen, payment is probable and the amount can be estimated reliably. Management uses its discretion to estimate the expenditure required to settle the present obligation at the balance sheet date, i.e. the amount the Bank would rationally pay to settle the obligation or transfer it to a third party.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

	2008 R'000	2007 R'000
3. CASH AND CASH EQUIVALENTS		
Cash on hand	263 596	213 068
Bank balances	214 656	657 553
Money market placements	-	45 574
Central Bank balances:		
Debentures	35 440	80 203
Treasury bills	69 309	29 973
Mandatory reserve deposits with central bank	34 500	16 844
	617 501	1 043 215
Maximum exposure to credit risk	617 501	1 043 215
Mandatory reserve deposits are not available for use in the Company's day-to-day operations.		
Cash on hand and mandatory reserve deposits are non-interest bearing.		
Debentures are short-term fixed interest securities issued by the South African Reserve Bank.		
4. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Listed preference shares		
Balance at the beginning of year	96 958	7 149
Amortised cost	99 925	6 688
Cumulative fair value adjustment - other market risk	(2 967)	461
Additions at cost	166 124	93 237
Disposals at cost	(266 049)	-
Fair value adjustment	2 967	(3 428)
Interest rate risk	-	-
Credit risk	-	-
Other market risk	(8 369)	(3 596)
Realised on disposals	11 336	168
Balance at the end of year	-	96 958
Amortised cost	-	99 925
Cumulative fair value adjustment - other market risk	-	(2 967)
Unlisted investments at fair value		
Balance at the beginning of year	-	-
Amortised cost	-	-
Cumulative fair value adjustment - other market risk	-	-
Additions at cost	3 100	-
Fair value adjustment	11 324	-
Interest rate risk	-	-
Credit risk	-	-
Exchange rate risk	1 860	-
Other market risk	12 362	-
Realised on disposals	(2 898)	-
Balance at the end of year	14 424	-
Amortised cost	3 100	-
Cumulative fair value adjustment - other market risk	11 324	-
Unlisted promissory notes		
Balance at the beginning of year	14 975	-
Amortised cost	14 975	-
Cumulative fair value adjustment	-	-
Additions at cost	-	14 975
Disposals at cost	(14 975)	-
Fair value adjustment	-	-
Interest rate risk	-	-
Credit risk	-	-
Balance at the end of year	-	14 975
Amortised cost	-	14 975
Cumulative fair value adjustment	-	-
Total at fair value	14 424	111 933

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for the year ended 29 February 2008

	2008 R'000	2007 R'000
4. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)		
Credit risk for financial assets designated at fair value:		
Maximum exposure to credit risk	-	111 933
Amount by which credit mitigation or derivatives offset credit risk	-	-
Credit risk exposure after taking into account credit mitigation or derivative	-	111 933
The cumulative change in fair value arising from changes in credit risk.	-	-
The cumulative change in fair value arising from changes in credit risk associated with mitigating instrument	-	-
The methods and assumptions applied to calculate the fair value changes due to interest rate risk and exchange rate risk set out in Notes 24.3 and 24.4.		
Fair value adjustments are not attributable to changes in credit risk during the year, and cumulatively. The directors' valuation of investments at fair value through profit or loss is equal to the book value. This group of financial assets and their performances are managed and evaluated on a fair value basis in accordance with a documented risk management strategy. Information about this group is provided internally on that basis to the Management Committee and Board of Directors.		
5. LOANS AND ADVANCES TO CUSTOMERS		
Maturity analysis of loans and advances		
Demand to one month	371 245	292 120
One to three months	395 233	175 516
Three months to one year	967 597	374 045
More than one year	545 632	107 916
Maximum exposure to credit risk ^(1 & 2)	2 279 707	949 597
Unearned deferred loan fee income	(90 548)	(35 654)
Gross loans and advances	2 189 159	913 943
Allowance for impaired loans and advances	(172 774)	(110 917)
Net amount	2 016 385	803 026
Effective interest rates per month (%)		
Demand to one month	10.0	10.7
One to three months	6.7	7.4
Three months to one year	4.6	4.4
More than one year	3.5	3.3
Credit quality of performing loans and advances⁽³⁾		
Top two grades of the internal rating system	383 694	152 065
Percentage of total performing loans	19.7	18.8
Bottom two grades of the internal rating system	8 936	11 630
Percentage of total performing loans	0.5	1.4
Carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated.	3 686	720
Impairment of loans and advances		
Not past due	1 888 202	765 313
-Gross	1 942 971	808 070
-Impairment	(54 769)	(42 757)
Past due	128 183	37 713
-Gross	246 188	105 873
-Impairment	(118 005)	(68 160)
Net	2 016 385	803 026
Past due loans and advances are in arrears from one day to three months. There were no past due but unimpaired loans and advances.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

	2008 R'000	2007 R'000
5. LOANS AND ADVANCES TO CUSTOMERS (continued)		
Movement on provision for impaired advances:		
Opening balance	110 917	92 649
-Unidentified losses	42 757	29 049
-Identified losses	68 160	63 600
Movement	61 857	18 268
-Unidentified losses	12 012	13 708
-Identified losses	37 709	(5 465)
-Unwinding of the discount on identified losses	12 136	10 025
Closing balance	172 774	110 917
-Unidentified losses	54 769	42 757
-Identified losses	118 005	68 160

Included in loans and advances is an investment of R16.7 million (2007: 15.1 million) in cumulative preference shares bearing interest at 80% of the prime interest rate with redemption date 15 February 2014. The remainder of loans and advances comprise of unsecured loans to individuals at fixed rates.

⁽¹⁾ Loans and advances are unsecured and the entire balance is exposed to credit risk.

⁽²⁾ Included within loans and advances is related accrued interest receivable of R18.1 million (2007: R12.8 million).

⁽³⁾ We use 21 grades in our internal rating system and qualification per product is governed by grading.

6. OTHER RECEIVABLES		
Rental deposits	1 811	1 729
Other	7 929	345
Derivative (Note 35)	290	-
Financial assets at amortised cost	10 030	2 074
Prepayments	9 033	7 176
	19 063	9 250
Current	17 022	7 521
Non-current	2 041	1 729

7. GROUP LOANS RECEIVABLE		
Loan to fellow subsidiary	5 272	7 305
Current	-	-
Non-current	5 272	7 305

Interest is levied at prime plus 2% on the loan to the fellow subsidiary. The rate at year end was 16.5% (2007 : 14.5%). Interest received on this loan during the year amounted to R0.7million (2007 : R0.8 million). The loan to the fellow subsidiary has been subordinated until the assets of the fellow subsidiary exceeds its liabilities.

8. EQUIPMENT

	Computer equipment	Office equipment and vehicles	Total
	R'000	R'000	R'000
Year ended 29 February 2008			
Opening net book value	57 484	96 434	153 918
Additions	39 487	61 035	100 522
Disposals	(195)	(893)	(1 088)
Depreciation charge	(26 168)	(32 995)	(59 163)
Net book value at end of the year	70 608	123 581	194 189
Cost	175 829	229 531	405 360
Accumulated depreciation	(105 221)	(105 950)	(211 171)
Net book value at end of the year	70 608	123 581	194 189
Year ended 28 February 2007			
Opening net book value	49 586	82 663	132 249
Additions	31 941	39 116	71 057
Disposals	(591)	(1 085)	(1 676)
Depreciation charge	(23 452)	(24 260)	(47 712)
Net book value at end of the year	57 484	96 434	153 918
Cost	137 977	173 865	311 842
Accumulated depreciation	(80 493)	(77 431)	(157 924)
Net book value at end of the year	57 484	96 434	153 918

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

	2008 R'000	2007 R'000
9. INTANGIBLE ASSETS		
Software		
Opening net book value	42 604	47 688
Additions	16 047	14 799
Amortisation charge	(21 032)	(19 883)
Net book value at end of year	37 619	42 604
Cost	129 081	113 034
Accumulated amortisation	(91 462)	(70 430)
Net book value at end of year	37 619	42 604
Computer software substantially consists of the primary banking application system.		
10. DEFERRED INCOME TAX ASSETS		
Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 28% (2007: 29%).		
The movement on the deferred income tax account is as follows:		
At beginning of year	41 656	26 061
Movement in deferred tax taken to income statement	(8 582)	15 595
Movements due to other temporary differences	(7 267)	16 131
STC credits received	(134)	(82)
Prior year adjustments	-	(454)
Rate change	(1 181)	-
At end of year	33 074	41 656
Deferred tax asset may be analysed as follows:		
Provisions and accruals	34 614	42 739
Capital allowances	572	625
Prepayments	(2 112)	(1 842)
STC credits	-	134
	33 074	41 656
Current	11 605	21 805
Not current	21 469	19 611
11. DEPOSITS AT AMORTISED COST		
Deposits by Maturity		
Within one month	941 751	579 585
One to three months	185 521	460
Three months to one year	186 443	6 641
More than one year	160 974	254 379
	1 474 689	841 065
Deposits by Nature		
Retail	842 226	554 233
Wholesale	528 329	271 826
Negotiable instruments	50 815	-
Reserve Bank settlement balance	53 319	15 006
	1 474 689	841 065
Effective interest rates per month (%)		
Demand to one month	9.0	8.3
One to three months	11.7	11.8
Three months to one year	11.2	14.1
More than one year	10.6	10.7
These deposits are all unsecured.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

	2008 R'000	2007 R'000
12. DEPOSITS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS		
Term deposit due:		
Within one month	-	-
One to three months	4 940	2 149
Three months to one year	30 556	-
More than one year	16 667	50 000
	52 163	52 149
Fair value adjustment attributable to changes in:		
Credit risk	-	-
Interest rate risk	262	2 233
	52 425	54 382
Amount payable on maturity of the term funding	56 565	64 173
Difference between amounts payable on maturity and the fair value of the liabilities relating to future finance cost.	4 140	9 791
<p>This group of financial liabilities and their performances are managed and evaluated on a fair value basis in accordance with a documented risk management strategy. Information about this group is provided internally on that basis to the Management Committee and Board of Directors.</p> <p>The contractual interest rate on the funding is 13.075% (2007: 13.075%) fixed, and the fair value thereof at 29 February 2008 was determined after applying a discount rate of 12.295% (2007: 10.320%). Please refer to Note 24.8 for a description of valuation methods applied.</p> <p>The credit risk premium remained constant as the impact of the Moody's ratings upgrade for the Bank from Baa1.za to A2.za in May 2007 was offset by higher credit premium expectations in the market surrounding the sub prime crisis (2007 - constant).</p>		
<p>These deposits are all unsecured.</p>		
13. TRADE AND OTHER PAYABLES		
Trade payables	31 407	27 945
Preference share dividends payable	8 889	7 617
Accruals	73 280	42 498
Share option accrual	70 310	95 906
Derivatives	-	2
	183 886	173 968
Current	127 248	124 408
Non-current	56 638	49 560
14. PROVISIONS		
Provision for bonuses		
Opening balance (2007 - pending litigation)	3 850	300
Addition	-	3 850
Release (2007 - pending litigation)	(3 850)	(300)
Closing balance (2007- bonuses)	-	3 850
Current	-	3 850
Non-current	-	-
15. GROUP LOANS PAYABLE		
Loan owing to holding company	8 843	7 637
Loan owing to share incentive trust	336	177
	9 179	7 814
Current	9 179	7 814
Non-current	-	-
<p>Loans from holding company are interest free and have no fixed repayment terms.</p>		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

	2008 R'000	2007 R'000
16. SHARE CAPITAL AND PREMIUM		
Authorised		
Ordinary shares		
5 000 000 000 shares of R0.01 each	50 000	50 000
Non-redeemable, non-cumulative, non-participating preference shares⁽¹⁾		
100 000 000 shares of R0.01 each	1 000	1 000
	51 000	51 000
Issued		
Ordinary share capital and premium	1 117 671	1 117 671
300 000 (2007: 300 000) shares of R0.01 each at par	3	3
Share premium	1 117 668	1 117 668
Non-redeemable, non-cumulative, non-participating preference share capital and premium⁽¹⁾	154 606	154 606
1 684 211 (2007: 1 684 211) shares of R0.01 each at par	17	17
Share premium	154 589	154 589
Total issued share capital and premium⁽²⁾	1 272 277	1 272 277
<p>No ordinary shares were cancelled in the current or prior year. No preference shares were cancelled in the current year or prior year.</p> <p>⁽¹⁾ The preference shares carry a coupon rate of 75% of the prime overdraft rate on a face value of R100 per share. ⁽²⁾ Refer to Note 30 for detail regarding the issue of shares</p>		
17. NON DISTRIBUTABLE RESERVES		
General banking risk reserve		
At beginning of year	2 439	710
Transfer to retained earnings	(2 439)	-
Transfer from retained earnings	-	1 729
At end of year	-	2 439

This reserve was required in terms of Basel I and is not required in terms of Basel II, implemented in South Africa from 1 January 2008.

Banking regulations required the Bank to make an appropriation to a general banking reserve in instances where the allowances for impairment required for regulatory purposes exceeded the amount that may be provided in terms of IFRS. These reserves could only be distributed to the extent that the differences between regulatory and accounting impairment allowances were extinguished.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 29 February 2008

		2008	2007
		R'000	R'000
18.	NET INTEREST INCOME		
	Interest income		
	Loans and advances to customers	709 153	924 326
	Marketable securities	3 659	4 417
	Group loans receivable	707	833
	Cash and cash equivalents*	27 240	38 736
		740 759	968 312
	Interest expense		
	Demand deposits	(56 506)	(34 951)
	Term deposits	(43 949)	(34 735)
	Negotiable deposits	(815)	-
	Forward foreign exchange contracts	(45)	(25)
		(101 315)	(69 711)
	Net interest income	639 444	898 601
	Included in interest income is R11.6 million (2007: R7.0 million) with respect to interest income accrued on impaired financial assets.		
	*Cash and cash equivalents comprises	27 240	38 736
	-Money market placements	4 317	27 502
	-Non-bank money market placements	16 623	7 445
	-Central Bank balances	6 300	3 789
19.	DIVIDEND INCOME		
	Investments at fair value through profit or loss	15 392	1 469
		15 392	1 469
20.	NET IMPAIRMENT CHARGE ON LOANS AND ADVANCES TO CUSTOMERS		
	Bad debts	203 531	165 434
	Movement in impairment allowance	61 857	18 268
	Bad debts recovered	(34 515)	(22 431)
	Net impairment charge	230 873	161 271
21.	NET MOVEMENT IN FINANCIAL INSTRUMENTS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS		
	Financial assets held at fair value through profit or loss	5 847	(3 577)
	Change in fair value due to changes in credit risk	-	-
	Change in fair value due to other factors	5 847	(3 577)
	Financial liabilities held at fair value through profit or loss	1 971	2 720
	Change in fair value due to changes in credit risk	-	-
	Change in fair value due to other factors	1 971	2 720
		7 818	(857)
	The methods and assumptions applied to calculate the fair value changes due to credit risk are set out in Note 24.8 and credit risk mitigation techniques are set out in Note 24.1.		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 29 February 2008

	2008 R'000	2007 R'000
22. OPERATING PROFIT BEFORE TAX		
The following items have been included in arriving at operating profit before tax:		
Loss on disposal of equipment	204	1 528
Depreciation on fixed assets		
Depreciation based on original estimates	59 163	47 712
Amortisation of computer software	21 032	19 883
Foreign exchange losses	632	148
(Excludes change in fair value of financial assets through profit and loss as per Note 5)		
Property operating leases	61 925	52 769
Operating lease rentals - Office equipment	1 687	2 001
Income from sub-letting	(225)	(1 548)
Auditors' remuneration		
Audit fees – current year	1 468	1 744
– underprovision previous year	-	116
Other services	437	597
	1 905	2 457
Directors' emoluments (included in staff costs below)		
Executive		
Salaries	4 565	3 790
Fringe benefits	402	396
Bonuses	2 260	2 179
Share based payment (cash settled)	24 255	12 750
Non-executive		
Fees	3 167	1 263
	34 649	20 378
Staff costs		
Salaries and wages	325 927	239 502
Share based payment (cash settled)	39 448	51 209
Social security cost	6 915	4 911
Training cost	12 094	8 176
Training refund	(1 385)	(980)
	382 999	302 818
Consultancy fees relating to non-employees comprise:		
Managerial services	422	1 095
Secretarial services	551	25
Technical	2 923	2 455
Administrative	2 996	2 615
	6 892	6 190

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	2008 R'000	2007 R'000
23. TAX EXPENSE		
Current tax	77 974	78 146
- normal company tax	69 647	71 751
- secondary tax on companies	8 327	6 395
Deferred tax	8 582	(15 595)
- normal company tax	8 448	(15 677)
- secondary tax on companies	134	82
	86 556	62 551
The tax on the profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:		
Profit before tax	290 404	195 748
Tax calculated at a tax rate of 29% (2007: 29%)	84 217	56 767
Secondary tax on companies *	8 461	6 477
Income not subject to tax	(4 947)	(736)
Expenses not deductible	178	332
Prior year re-estimate	-	(289)
Capital gains tax	(2 534)	-
Tax rate change in future value in use of deferred tax asset	1 181	-
Tax charge	86 556	62 551

* Secondary tax on companies at 12.5 % to 30 September 2007, 10% from 1 October 2007

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24. FINANCIAL RISK MANAGEMENT

Financial instruments carried on the balance sheet as set out in note 24.8.

The Bank views risk management as a measure of ensuring a responsible return on shareholders' equity. Ultimately, the board remains responsible for risk management. To assist them in performing this duty, the company is managed through a system of internal controls functioning throughout the entity so that an awareness of risk pervades every aspect of our business and is seen as the responsibility of each employee of the Bank. The board has established a Risk and Capital Management Committee comprising four independent non-executive directors. The committee has a formal charter in accordance with which it assists the board in reviewing the processes followed to identify risk and considering such risks in the Bank environment. The committee also assists the board in ensuring that risk assessment is an ongoing process and that a formal risk assessment is undertaken at least quarterly.

Subcommittees comprising executives and senior management have been established to deal in a structured manner with specific risks facing the company:

- Credit Committee – credit risk
- Assets and Liability Committee – interest rate, market, liquidity, counterparty, currency and capital adequacy risk; and
- Operational Risk Committee – legal, compliance, technology, operational and reputation risk.

The Bank operates in a structured manner with defined processes and procedures enabling risk assessment within a controlled environment. Accordingly, an assessment of key risks is performed with weightings on impact and probability assigned. Existing controls are assessed and if necessary, adjusted. Thereafter reports are generated at regular intervals to enable monitoring of risk levels.

24.1 Credit risk

Potential concentrations of credit risk exist principally in cash and cash equivalents, listed preference shares and promissory notes (notes 3 and 4). The Bank only invests cash surpluses with major banks, corporates and money market funds of high credit standing. Monetary limits are set taking into account the credit rating of the counterparties and are managed by the Asset and Liability Committee (ALCO).

Loans and advances are disclosed net of impairment allowances. The Bank operates in the micro financing industry. The Bank's exposure to concentrated credit risk is low due to the nature and distribution of the loan book. Exposure to systemic credit risk is regarded as being higher than normal banking activities due to the demographic credit characteristics of the client base. Measures taken by the Bank to limit credit risk to acceptable levels include, *inter alia*, the application of standard credit acceptance procedures to assess potential customers, daily monitoring of collectible balances at both branch and head office level and monitoring by the Risk Committee. No security is obtained for loans and advances, and accordingly the entire balance as per the balance sheet is exposed to credit risk.

24.2 Geographical concentrations of assets, liabilities and off-balance sheet items

All the Bank's operating activities are situated within the Republic of South Africa.

Capitec Bank branches are distributed across South Africa and at year end the breakdown by province was as follows:

	2008	2007
Eastern Cape	41	33
Free State	19	16
Gauteng	79	65
Kwazulu-Natal	53	45
Limpopo	23	20
Mpumalanga	36	28
North West	23	18
Northern Cape	11	10
Western Cape	46	45
	331	280

24.3 Interest rate risk

Prior to the implementation of the National Credit Act (NCA), the Bank operated within the ambit of the Usury Act exemption notice when considering interest rates on the advance of short-term micro loans. Interest rates and loan products were reviewed pre-implementation and adjusted to comply with the requirements of the NCA.

The current Bank interest profile is uncomplicated and is monitored by the ALCO. Effective rates on deposit balances are disclosed in Note 11 and 12. The Bank currently has a conservative interest rate profile and is interest rate insensitive, relative to the general banking industry.

The Banks' equity and profit and loss have limited uncontrolled exposure to changes in interest rates. The Bank operates a fixed and discretionary interest rate profile for most assets and liabilities. Discretionary rate items are those where the rates are not contractually bound to a market interest rate but rather management can at their discretion increase or decrease the rate as deemed appropriate. 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. Certain fixed rate wholesale deposits have been measured at fair value through profit and loss, which has a limited profit and loss accounting impact, (refer Note 12). The return on surplus cash balances placed in call money market accounts varies with changes in interbank interest rates, resulting in cash flow interest rate risk. The Bank has discretion over the rates offered on its demand savings deposits. Advances are only offered in fixed rate terms. The maturity breakdown of the advances book is set out in Note 5 and Note 24.5.

ALCO meets monthly and considers the results of management's analysis of the impact of interest rates on the Bank which includes *inter alia* the results of various models and the impact of interest rate strategy on the gross margin.

The sensitivity analysis below reflects the impact on profit and loss of a 200 basis point increase or decrease in interest rates:

- Immediately following the reporting date
- Based on floating rate assets and liabilities held at amortised cost (cash and cash equivalents, negotiable instruments, retail savings deposits)
- Assets and liabilities accounted for at fair value through profit and loss
- On balance sheet at the reporting date.

The continuity of items for the purpose of this analysis is the contractual maturity dates.

	200 basis points	2008		2007	
		Pre tax R'000	Post tax R'000	Pre tax R'000	Post tax R'000
Increase		108	78	1 716	1 235
Decrease		(123)	(89)	(1 801)	(1 297)

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24.3 Interest Risk continued

If the above sensitivity is adjusted by using average February balances for cash on call and the element of discretionary retail savings that could potentially be adjusted, maintaining such balances for the twelve months following the year end the impact on the profit and loss of the same basis point adjustment on year end rates, and assuming no further rate changes in the year would be:

200 basis points	2008		2007	
	Pre tax	Post tax	Pre tax	Post tax
	R'000	R'000	R'000	R'000
Increase	(6 488)	(4 671)	4 069	2 930
Decrease	6 473	4 660	(4 154)	(2 991)

All other assumptions remain consistent.

A parallel shift up and down in the interest rates applicable to the respective underlying exposures was used.

24.4 Currency risk

The exposure to foreign currency purchase risk relating to the importation of capital equipment, technology and technology support services needed for the core banking activities is managed through the purchase of forward foreign exchange contracts.

There is limited currency revenue risk due to US Dollar based unlisted investments held in Visa and MasterCard. (Refer Note 4)

24.5 Liquidity risk

The Bank manages liquidity cautiously and operates an uncomplicated maturity profile which is monitored by ALCO. The short-term nature of the loan book relative to the size of the deposit book and the term nature of much of the funding reduces the liquidity risk of the group. The core component of the retail savings book that is stable exceeds the contractual maturity shortfall in the demand to one month category significantly.

The table below analyses assets and liabilities of the Bank into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date.

Maturities of financial assets and financial liabilities (discounted cash flows)	Notes	Demand to one month	One to three months	Three months to one year	More than one year	Adjustment ⁽¹⁾	Total
		R'000	R'000	R'000	R'000	R'000	R'000
2008							
Assets							
Loans and advances to customers	5	371 245	395 233	967 597	545 632	(90 548)	2 189 159
Cash and cash equivalents	3	568 085	49 416	-	-	-	617 501
Investments at fair value through profit or loss	4	14 424	-	-	-	-	14 424
Group loans receivable	7	-	-	-	5 272	-	5 272
Other receivables	6	7 844	-	145	2 041	-	10 030
Assets		961 598	444 649	967 742	552 945	(90 548)	2 836 386
Undiscounted Liabilities							
Liabilities to depositors	11	944 815	193 552	212 987	299 801	-	1 651 155
Trade other payables and tax liability due		40 803	85 655	48 185	56 638	-	231 281
Deposits held at fair value through profit or loss	12	-	5 491	34 106	16 706	262	56 565
Group loans payable	15	9 179	-	-	-	-	9 179
Undiscounted Liabilities		994 797	284 698	295 278	373 145	262	1 948 180
Adjustments for undiscounted liabilities to depositors		(3 064)	(8 581)	(30 094)	(138 867)	-	(180 606)
Discounted liabilities		991 733	276 117	265 184	234 278	262	1 767 574
Net liquidity excess / (shortfall)		(30 135)	168 532	702 558	318 667	(90 810)	1 068 812
Cumulative liquidity excess		(30 135)	138 397	840 955	1 159 622	1 068 812	1 068 812
2007							
Assets							
Loans and advances to customers ⁽³⁾	5	292 120	175 516	374 045	107 916	(35 654)	913 943
Cash and cash equivalents	3	1 043 215	-	-	-	-	1 043 215
Investments at fair value through profit or loss	4	111 933	-	-	-	-	111 933
Group loans receivable	7	-	-	-	7 305	-	7 305
Other receivables	6	345	-	-	1 729	-	2 074
Assets		1 447 613	175 516	374 045	116 950	(35 654)	2 078 470
Undiscounted Liabilities⁽²⁾							
Liabilities to depositors	11	580 543	3 524	20 989	417 299	-	1 022 355
Trade other payables and tax liability due		70 359	34 610	102 362	49 560	-	256 891
Deposits held at fair value through profit or loss	12	-	3 242	4 366	54 332	2 233	64 173
Group loans payable	15	7 616	-	-	198	-	7 814
Undiscounted Liabilities		658 518	41 376	127 717	521 389	2 233	1 351 233
Adjustments for undiscounted liabilities to depositors		(958)	(4 157)	(18 714)	(167 252)	-	(191 081)
Discounted liabilities		657 560	37 219	109 003	354 137	2 233	1 160 152
Net liquidity excess / (shortfall)		790 053	138 297	265 042	(237 187)	(37 887)	918 318
Cumulative liquidity excess		790 053	928 350	1 193 392	956 205	918 318	918 318

⁽¹⁾ Adjustments to loans to customers relates to deferred initiation fee income. Adjustments to deposits are at fair value through profit or loss relates to fair value adjustments.

⁽²⁾ Prior year assets have been restated to include all financial assets in line with the current year.

⁽³⁾ Prior year financial liabilities have been restated to gross cash flows as required in terms of IFRS 7.

The contractual maturity of financial assets and financial liabilities of the company are all on demand to one month.

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24.6 Capital management

The Bank's principal objectives when managing capital are to:

- Address the expectations of its shareholders, and so to optimise business activities to ensure return on capital targets are achieved through efficient capital management.
- Ensure that the Bank holds sufficient risk capital. Risk capital caters for unexpected losses that may arise; protects shareholders and depositors and thereby assures the sustainability of the bank through the business cycle.
- Comply with the capital supervisory requirements of the South African Reserve Bank (SARB) as codified in the Banks Act 1990 (as revised) and related Regulations.

The Bank conducts a Capitec Internal Capital Adequacy Assessment Process (CICAAP) on an ongoing basis, which drives the bank's position on capital management matters. The CICAAP reviews the historic, current and future capital positioning of the Bank both from an internal and regulatory capital perspective.

The table below summarises the composition of regulatory capital for the Bank.

	2008* R'000	2007** R'000
Primary (Tier 1) capital		
Ordinary share capital	1 117 671	1 117 671
Accumulated loss	(102 324)	(221 961)
Qualifying preference share capital	154 606	154 606
Prescribed deductions	(46 564)	(171 546)
	1 123 389	878 770
Secondary (Tier 2) capital		
Qualifying unidentified impairments	20 044	2 439
	1 143 433	881 209
Total qualifying regulatory capital		
	1 143 433	881 209
Total capital adequacy %	35.1	74.1
Primary %	34.5	73.9
Secondary %	0.6	0.2
Required capital adequacy %	25.0	15.0
Required regulatory capital	814 568	178 248
Risk weighted assets		
Credit risk		
-on balance sheet	1 602 537	870 312
-off balance sheet	1 004	119 624
	1 603 541	989 936
Operational risk	1 356 420	-
Equity risk in the banking book	14 424	12 177
Other assets	283 885	186 208
Total risk weighted assets	3 258 270	1 188 321
Total assets based on IFRS	2 937 527	2 212 907
Total risk weighted assets - adjustments	320 743	(1 024 586)
Total risk weighted assets - regulatory	3 258 270	1 188 321

* Calculated in terms of Basel II

** Calculated in terms of Basel I

Assets are assigned risk-weightings according to their nature. These risk-weightings, which are prescribed by the SARB with reference to Basel II, reflect the estimate of credit, operational and market risks after considering eligible collateral. A similar treatment is adopted for off-balance sheet exposure, with adjustments to reflect the more contingent nature of the potential losses.

The adjustments made to IFRS assets reflect, in the main, the impact of risk weightings applied on calculated base IFRS values and the addition of a risk weighted equivalent for operational risks.

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24.7 GAINS AND LOSSES PER CATEGORY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Note	Designated at fair value R'000	Held for trading R'000	Loans and receivables R'000	Available for sale R'000	Other liabilities R'000	Total R'000
2008							
Interest income	18			740 759			740 759
Interest expense	18	(6 581)	(45)			(94 689)	(101 315)
Loan fee income				574 584			574 584
Transaction fee income						168 361	168 361
Transaction fee expense						(89 545)	(89 545)
Dividend income	19	15 392					15 392
Net impairment on loans and advances	20			(230 873)			(230 873)
Net movement in financial instruments held at fair value through profit or loss	21	7 818					7 818
2007							
Interest income	18			968 312			968 312
Interest expense	18	(8 687)	(25)			(60 999)	(69 711)
Loan fee income				76 943			76 943
Transaction fee income						93 671	93 671
Transaction fee expense						(59 057)	(59 057)
Dividend income	19	1 469					1 469
Net impairment on loans and advances	20			(161 271)			(161 271)
Net movement in financial instruments held at fair value through profit or loss	21	(857)					(857)

24.8 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Note	Designated at fair value R'000	Held for trading R'000	Loans & receivables R'000	Available for sale R'000	Other liabilities R'000	Total R'000	Fair value R'000
2008								
Financial assets								
Cash and cash equivalents	3			617 501			617 501	617 501
Investments at fair value through profit or loss	4	14 424					14 424	14 424
Loans and advances to customers	5			2 016 385			2 016 385	2 007 001
Other receivables	6		290	9 740			10 030	9 445
Group loan receivable	7			5 272			5 272	5 272
Financial liabilities								
Deposits at amortised cost	11					1 474 689	1 474 689	1 466 103
Deposits held at fair value through profit or loss	12	52 425					52 425	52 425
Trade and other payables	13					183 886	183 886	183 886
Group loans payable	15					9 179	9 179	9 179
2007								
Financial assets								
Cash and cash equivalents	3			1 043 215			1 043 215	1 043 215
Investments at fair value through profit or loss	4	111 933					111 933	111 933
Loans and advances to customers	5			803 026			803 026	803 026
Other receivables	6		780	1 729			2 509	2 327
Group loan receivable	7			7 305			7 305	7 305
Financial liabilities								
Deposits at amortised cost	11					841 065	841 065	843 237
Deposits held at fair value through profit or loss	12	54 382					54 382	54 382
Trade and other payables	13					173 968	173 968	173 968
Provisions	14					3 850	3 850	3 850
Group loans payable	15					7 814	7 814	7 814

Valuation of assets and liabilities

The fair value of financial liabilities is calculated by discounting the contractual cash flows based on an appropriate market related rate. The market related rate is determined with reference to the movement in the risk-free rate for the remaining duration of the liabilities and adjusted for any movement in the risk premium as determined through the judgment of management taking into account their knowledge of the market including recent transactions and developments.

The difference in the present value for assets and liabilities, based on the risk premium determined at the later of the start of the financial year or the inception of the instrument compared to the risk premium at the earlier of year end or derecognition of the financial liability is determined to be the change in fair value attributable to credit risk for the current year.

Financial assets are valued based on the nature of the item. Listed financial assets are valued with reference to the closing bid price.

Unlisted debt instruments are valued by discounting expected cash flows based on an appropriate market related rate. The discount rate is determined as for financial liabilities, but the cash flows are adjusted for expected future service costs.

Unlisted equity instruments that will be converted to listed instruments are valued with reference to the current market value of the listed instrument, adjusted for the time to and conditions of conversion and the existence of alternative markets such as over-the-counter markets.

Other unlisted equity instruments are valued taking into account factors such as net asset value, expected cash flows, expected profitability and appropriate price to earnings ratios.

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	2008 R'000	2007 R'000
25. RETIREMENT BENEFITS		
The Bank contributed on behalf of all employees who elected to be members of the provident fund. The provident fund, a defined contribution fund, is administered independently of the Bank and is subject to the Pension Funds Act, 1956 (Act 24 of 1956) . The amount contributed is included in salaries and wages as per Note 22.	16 035	12 761
Since 1 July 2001 it is compulsory for all new appointments to be members of the provident fund. The company will continue to contribute to the fund on behalf of all members. The Bank has no exposure in respect of any post-retirement benefits payable.		
26. RELATED-PARTY TRANSACTIONS		
Dividend paid		
Capitec Bank Holdings Limited (holding company)	86 650	54 450
-Ordinary dividend	17 011	7 617
-Preference dividend	69 639	46 833
Loans due to:		
Capitec Bank Holdings Limited (holding company)	8 843	7 637
Capitec Bank Holdings Share Trust	336	177
Loans due from:		
Key Distributors (Pty) Limited (fellow subsidiary)	5 272	7 305
Interest received		
Key Distributors (Pty) Limited (fellow subsidiary)	707	833
-Interest	605	731
-Guarantee Fees	102	102
Management fees paid		
Capitec Bank Holdings Limited (holding company)	435	722
Capitec Bank Holdings Limited (holding company) - BEE share issue expenses	-	502
Guarantees to Key Distributors (Pty) Limited		
Amount of creditors guarantees	6 800	6 850
Guaranteed creditors balances outstanding ⁽²⁾	2 007	2 488
Guarantee fee received	102	102
Transactions with Arch Equity (Pty) Limited⁽¹⁾		
Interest received	-	1 021
PSG Group and subsidiaries⁽³⁾		
Brokers' fees	294	126

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for the year ended 29 February 2008

	2008	2007
	R'000	R'000
26. RELATED-PARTY TRANSACTIONS continued..		
Deposits/Savings accounts from directors and other key management personnel⁽⁴⁾		
Due to customers		
Deposits at beginning of year	549	432
Net change in composition of related parties	(340)	-
Interest earned during the year	178	39
Deposits made (repaid) during the year	15	78
Deposits at end of year	402	549
Key management compensation⁽⁵⁾		
Salaries and other short-term benefits	19 408	14 177
Post-employment benefits	1 266	1 136
Share-based payments	24 255	30 399
	44 929	45 712
⁽¹⁾ In the prior year Arch Equity Limited disposed of its shareholding of the share capital of Capitec Bank Holdings Limited and was considered a related party through the shareholding of D Lockey. D Lockey resigned 1 September 2006.		
⁽²⁾ Guarantee included in Note 31 and is repeated here for ease of comparison.		
⁽³⁾ PSG Capital is the corporate advisor and sponsor of Capitec Bank Limited, while PSG Financial Services Limited was Capitec Bank Limited's underwriter. Transactions requiring the purchase of financial instruments on the open market is conducted through a number of intermediaries in an arm's length manner.		
⁽⁴⁾ Savings and deposits are unsecured, carry variable interest rates and are repayable on demand.		
⁽⁵⁾ Key management is considered to be members of the management committee and directors.		
Directors		
All directors of Capitec Bank Limited have given notice that they did not have a material interest in any significant contract with the company or any group companies, which could have given rise to a conflict of interest during the year.		
27. CASH FROM OPERATIONS		
Net profit before tax	290 404	195 748
Adjusted for non-cash items		
Fair value adjustments on financial assets	(5 853)	3 429
Fair value adjustments on financial liabilities	(1 971)	(2 720)
Movement in impairment charge	61 857	18 268
Depreciation	59 163	47 712
Amortisation	21 032	19 883
Movement in provisions	(3 850)	3 550
Share-based staff costs	(25 596)	28 960
Loss on disposal of equipment	204	1 528
Movements in current assets and liabilities		
(Increase) in loans and advances	(1 275 216)	(367 832)
(Increase) in other receivables	(9 813)	(2 405)
Increase in deposits	633 638	304 374
Increase in trade and other payables	35 514	8 066
Cash flows from operations	(220 487)	258 561

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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	2008 R'000	2007 R'000
28. TAX PAID		
Outstanding at beginning of year	79 073	22 444
Charge to the income statement	86 556	62 551
Income statement movement in deferred tax	(8 582)	15 595
Outstanding at end of year	(47 395)	(79 073)
Tax paid	109 652	21 517
29. DIVIDENDS PAID		
Outstanding at beginning of year	7 617	-
Dividend declared during the year		
Ordinary dividend	69 639	46 833
Preference dividend	17 011	7 617
Outstanding at end of the year	(8 889)	(7 617)
	85 378	46 833
30. SHARES ISSUED		
200 000 Ordinary shares issued	-	400 000
1 684 211 Non-redeemable, non-cumulative, non-participating preference shares issued	-	160 000
Share issues expenses	-	(5 959)
	-	554 041
31. COMMITMENTS AND CONTINGENT LIABILITIES		
Property operating lease commitments		
Within one year	67 860	58 755
From one to five years	155 259	141 614
After five years	6 665	4 340
	229 784	204 709
Other operating lease commitments		
Within one year	1 602	1 576
From one to five years	3 230	3 757
	4 832	5 333
Guarantees		
Issued to non-banking institutions	9 383	9 988
(The value of the issued guarantees to financial institutions at fair value is nil.)		
Facilities		
Unutilised loan facilities to clients	-	135 701
Capital commitments – approved by the board		
Contracted for	11 780	23 855
Not contracted for	132 852	141 481
	144 632	165 336

32. BORROWING POWERS

In terms of the articles of association of Capitec Bank Holdings Limited, the directors may at their discretion raise or borrow money for the purpose of the business of the company without limitation. These borrowing powers are subject to the limitations of the Banks Act, 1990 (Act 94 of 1990).

The increase in borrowings from the previous year is for the purposes of funding of general banking business including future expansion of the loan book and capital expenditure.

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33. SHARE INCENTIVE SCHEME

The share incentive scheme has been authorised and adopted by the shareholders of Capitec Bank Holdings Limited ("CBHL"). The trustees act in terms of the powers bestowed on them by the trust deed and receive instructions from time to time from the boards of CBHL and the Bank. The Bank provides the finance required from time to time by the trustees to perform their duties. Service costs of options issued to employees of subsidiaries of CBHL are financed by the relevant subsidiary.

The Bank allows its employees to purchase shares in Capitec Bank Holdings Limited up to a value not exceeding 20.00% (2007:13.50%) of their monthly salary. The purchase price includes a subsidy of 20.00% (2007:11.11%) and the transaction costs are borne by the company. The shares are held by the trustees on behalf of the participants for as long as required to save the holding expenses of a broker account for participants.

The share incentive scheme prescribes that European type options, with durations ranging from three to six years, should be allocated at the market value, and determined as the weighted average price per share over a period of 30 trading days on the JSE Limited prior to the date of allocation.

	2008	2007
	Number	Number
Options issued to personnel of Capitec Bank Limited		
Balance at beginning of year	6 191 494	5 841 448
Options granted	773 056	1 150 000
Options cancelled and/or lapsed	(35 500)	(86 898)
Options exercised	(1 769 744)	(713 056)
Balance at end of year	5 159 306	6 191 494

	2008		2007	
	Weighted average strike price (R)	Number	Weighted average strike price (R)	Number
Analysis of outstanding share options by year of maturity				
Financial year				
2007/08	-	-	2.59	1 770 244
2008/09	8.57	1 010 625	8.54	1 015 625
2009/10	13.44	1 295 625	13.43	1 303 125
2010/11	18.20	1 308 264	15.22	1 121 250
2011/12	24.23	880 764	21.04	693 750
2012/13	32.82	474 514	30.70	287 500
2013/14	36.00	189 514	-	-
	18.15	5 159 306	11.51	6 191 494

	2008	2007
	Number	Number
Shares available for settlement of options		
Balance at beginning of year	-	-
Shares purchased during the year	1 769 744	713 057
Shares used for settlement of options	(1 769 744)	(713 057)
Options exercised	(1 769 744)	(713 057)
Settled in cash	-	-
Settled in shares	(1 769 744)	(713 057)

The Bank offers share options in Capitec Bank Holdings Limited to members of management who are able to make significant contributions to the achievement of the Bank's objectives. The exercise price of the granted options is equal to the weighted 30-day market price of the shares on the date of the grant. Options are conditional on the employee completing the vesting period applicable to each group of options issued to that employee.

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34. SHARE OPTION LIABILITY

Data utilised in the valuation of options granted

The table below provides detail regarding the data used in the valuation of the share options to which IFRS 2 has been applied. A Black-Scholes option pricing model was used to value the options.

Year granted	Strike price	Year maturing	Risk free rate	Number of options outstanding	Fair value on issue	Expected vesting proportion (note 2) %	Sum of Fair Value	Portion of term expired	Liability at year end
2003/04	2.40	2008/09	11.1%	176 875	6 351	99%	6 278	98%	6 141
		2009/10	10.4%	176 875	6 279	89%	5 586	82%	4 554
2004/05	5.73	2008/09	11.1%	415 000	13 536	98%	13 304	96%	12 758
		2009/10	10.4%	415 000	13 497	88%	11 940	77%	9 161
		2010/11	9.8%	415 000	13 418	80%	10 684	64%	6 832
	7.36	2008/09	11.1%	12 500	388	94%	367	87%	317
		2009/10	10.0%	12 500	388	85%	330	69%	229
		2010/11	9.6%	12 500	387	77%	296	58%	171
2005/06	13.72	2008/09	11.1%	18 750	463	99%	459	97%	446
		2009/10	10.4%	18 750	476	89%	425	73%	309
		2010/11	9.8%	18 750	485	80%	389	58%	227
		2011/12	9.4%	18 750	491	72%	355	49%	172
	14.05	2008/09	11.1%	368 750	9 033	98%	8 824	93%	8 172
		2009/10	10.4%	368 750	9 288	88%	8 167	69%	5 674
		2010/11	9.8%	368 750	9 462	79%	7 488	56%	4 162
		2011/12	9.4%	368 750	9 595	71%	6 834	46%	3 166
	17.64	2008/09	11.3%	18 750	399	96%	381	86%	328
		2009/10	10.2%	18 750	417	86%	359	64%	231
		2010/11	9.7%	18 750	431	77%	334	52%	172
		2011/12	9.3%	18 750	443	70%	309	43%	133
2006/07	30.20	2009/10	10.4%	12 500	147	89%	131	64%	83
		2010/11	9.8%	12 500	176	80%	141	48%	68
		2011/12	9.4%	12 500	198	72%	143	38%	55
		2012/13	9.2%	12 500	216	65%	140	32%	45
	30.59	2009/10	10.4%	12 500	140	90%	126	67%	84
		2010/11	9.8%	12 500	171	81%	138	50%	69
		2011/12	9.4%	12 500	194	73%	141	40%	56
	30.73	2012/13	9.2%	12 500	212	66%	139	33%	46
		2009/10	10.4%	260 000	2 978	89%	2 647	63%	1 662
		2010/11	9.8%	260 000	3 595	80%	2 876	47%	1 355
	2011/12	9.4%	260 000	4 060	72%	2 924	38%	1 102	
		2012/13	9.2%	260 000	4 439	65%	2 877	31%	903
2007/08		2010/11	9.8%	163 000	1 832	80%	1 460	28%	412
		2011/12	9.4%	163 000	2 167	72%	1 554	21%	329
	2012/13	9.2%	163 000	2 441	65%	1 575	17%	266	
	2013/14	9.1%	163 000	2 670	58%	1 551	14%	219	
36.07	2010/11	9.8%	7 500	82	80%	66	30%	20	
	2011/12	9.4%	7 500	98	72%	71	23%	16	
	2012/13	9.2%	7 500	111	65%	72	18%	13	
	2013/14	9.1%	7 500	122	59%	71	15%	11	
36.00	2010/11	9.8%	13 889	153	80%	123	30%	36	
	2011/12	9.4%	13 889	182	72%	131	22%	29	
	2012/13	9.2%	13 889	206	65%	134	18%	24	
	2013/14	9.1%	13 889	226	58%	132	15%	20	
41.46	2010/11	9.5%	5 125	54	74%	40	4%	2	
	2011/12	9.2%	5 125	64	66%	42	3%	1	
	2012/13	9.1%	5 125	72	60%	43	3%	1	
	2013/14	9.1%	5 125	79	54%	43	2%	1	
Grand total				5 159 306	122 312	84%	102 640	68%	70 283

(1) All options were valued using the following variables:

Dividend Yield	1.69%
Volatility	34.1%
ex dividend Share Price	38.35

(2) Average South African executive staff turnover of 10% p.a. used to estimate likelihood of vesting conditions realising. A re-estimate in terms of IFRS 2 will be done on an annual basis.

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35. DERIVATIVE FINANCIAL INSTRUMENTS

Included in other receivables are the following forward foreign exchange contracts

	Notional amount R'000	Fair values	
		Assets R'000	Liabilities R'000
Year ended 29 February 2008			
Forward foreign exchange contracts			
- Notional amounts in ZAR	5 946	290	-
- Notional amounts in US\$	777	-	-

Year ended 28 February 2007

Nil

Forward foreign exchange contracts represent commitments to purchase foreign currency, including undelivered spot transactions and were entered into to match corresponding expected future transactions to the amount of R5.9 million (2007: nil).

36. DIRECTORS' REPORT

No directors' report has been prepared as the company is a wholly-owned subsidiary of Capitec Bank Holdings Limited, a company incorporated in the Republic of South Africa.

37. POST BALANCE SHEET DATE EVENTS

No matter which is material to the financial affairs of the company has occurred between the balance sheet date and the date of approval of the financial statements.