

FIRSTRAND BANK LIMITED
(Incorporated in the Republic of South Africa)
(Registration Number 1929/001225/06)

PROSPECTUS

The definitions and interpretations commencing on page 6 of this document apply to this entire document, including this cover page, except where the context indicates a contrary intention.

This Prospectus is issued for the offer of Krugerrand Custodial Certificates for subscription to the Subscribers. Krugerrand Custodial Certificates were listed on the "Exchange Traded Funds" sector of the JSE under the abbreviated name and alpha code "KCCGLD" and ISIN Code ZAE000195830 with effect from 10 November 2014 and are traded on the JSE through any authorised user of the JSE, in terms of the Offering Circular dated 21 October 2014.

The Offer to receive the Krugerrand Custodial Certificates constitutes an offer to the public in terms of section 95(1)(h) of the Companies Act. This Prospectus is therefore required to be issued in terms of section 99(2) of the Companies Act.

The Prospectus replaces the Offering Circular as the document governing Krugerrand Custodial Certificates. The Prospectus incorporates the exact terms and conditions of the Offering Circular. The rights of Holders of Krugerrand Custodial Certificates as at the date hereof which were governed by and issued in terms of the Offering Circular will be governed by this Prospectus. Such replacement is therefore without prejudice to existing Holders.

This Prospectus was registered by CIPC on 16 October 2015 and is issued in compliance with the Companies Act for the purpose of giving information to the Subscribers who elect to participate in the Offer.

Merchant bank, sponsor and Market Maker



Legal advisor to the Company



Auditors and Reporting Accountants to the Company



Date of Issue: 19 October 2015

This Prospectus is only available in English. Copies of the registered Prospectus may be obtained during normal business hours from the registered office of the Market Maker at its address set out in the "Corporate Information and Advisors" section of this Prospectus from the date of issue hereof until 5 November 2015. This Prospectus is also available online at:

http://www.rmb.co.za/GlobalMarkets/weTrade_Commodities_Krugerrand_Custodial_Certificate.asp.

IMPORTANT INFORMATION

The definitions and interpretations commencing on page 6 of this Prospectus apply to this section on Important Information.

SPECIAL NOTE IN REGARD TO THE OFFER

Notwithstanding that this document constitutes a prospectus, this offer is only addressed to persons to whom it may lawfully be made. The distribution of this Prospectus may be restricted by law. Persons into whose possession this Prospectus comes must inform themselves about and observe any such restrictions. This Prospectus does not constitute an offer or an invitation to subscribe for the Krugerrand Custodial Certificates in any jurisdiction in which such an offer would be unlawful. No one has taken any action that would permit the Offer to occur outside South Africa.

RESPONSIBILITY

The directors of the Company collectively and individually accept full responsibility for the accuracy of the information given in this Prospectus and certify that to the best of their knowledge and belief there are no facts relating to the Company that have been omitted which would make any statement relating to the Company false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this Prospectus contains all information relating to the Company required by law.

FOREIGN SHAREHOLDERS

This Prospectus has been prepared for the purposes of complying with the Companies Act and the Companies Regulations published in terms thereof and the information disclosed may not be the same as that which would have been disclosed if this Prospectus had been prepared in accordance with the laws and regulations of any jurisdiction outside of South Africa.

The release, publication or distribution of this Prospectus in jurisdictions other than South Africa may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than South Africa should inform themselves about, and observe, any applicable requirements. Any failure to comply with the applicable requirements may constitute a violation of the securities laws of any such jurisdiction.

This Prospectus and any accompanying documentation is not intended to, and does not constitute, or form part of, an offer to subscribe for any securities in any jurisdiction in which it is illegal to make such an offer or such offer would require the Issuer to comply with filing and/or other regulatory obligations. In those circumstances this Prospectus and any accompanying documentation are sent for information purposes only and should not be copied or redistributed. Subscribers who are not resident in South Africa must satisfy themselves as to the full observance of the laws of any applicable jurisdiction concerning their election to subscribe for the Krugerrand Custodial Certificates, including any requisite governmental or other consents, observing any other requisite formalities and paying any transfer or other taxes due in such other jurisdictions. The Issuer accepts no responsibility for the failure by a Subscriber to inform itself about, and/or to observe any applicable legal requirements in any relevant jurisdiction.

The Krugerrand Custodial Certificates have not, and will not be, registered under the US Securities Act, 1933 or with the regulatory authority of any state or jurisdiction of the United States of America or under the applicable laws of the United Kingdom, Canada, Australia or Japan and may not be offered, sold, pledged or otherwise transferred in the United States of America or to any national, resident or subject of the United Kingdom, Canada, Australia or Japan (unless they receive and accept the Offer in South Africa). Neither this document, nor any copy of it, may be sent to or taken into the United State of America, Canada, Australia or Japan.

**Company secretary and registered office
of the Company**

Carnita Low
4 Merchant Place
Cnr Rivonia Road and Fredman Drive
Sandton, 2146
(PO Box 786273, Sandton, 2146)
Date and place of incorporation
11 January 1929 - South Africa
[Regulation 57]

Legal advisor

Webber Wentzel
10 Fricker Road
Illovo Boulevard
Johannesburg, 2196
(PO Box 61771, Marshalltown, 2107)
[Regulation 58]

**Reporting Accountants and Auditors of the
Company**

Deloitte & Touche

Building 8
Deloitte Place
The Woodlands
Woodlands Drive
Woodmead, Sandton
Docex 10 Johannesburg

PricewaterhouseCoopers Inc.

2 Englin Road
Sunninghill
2157
[Regulation 58]

Merchant Bank, Sponsor and Market Maker

Rand Merchant Bank (a division of FirstRand Bank
Limited)
1 Merchant Place
Corner Rivonia Road and Fredman Drive
Sandton 2196
South Africa
(PO Box 786273, Sandton 2146)
[Regulation 58]

TABLE OF CONTENTS

SECTION 1 – COMPANY INFORMATION [Regulation 56]	12
1. NAME, ADDRESS, INCORPORATION [Regulation 57]	12
2. DIRECTORS, OTHER OFFICE HOLDERS OR MATERIAL THIRD PARTIES [Regulation 58]	12
3. HISTORY, STATE OF AFFAIRS AND PROSPECTS OF THE COMPANY [Regulation 59]	20
4. SHARE CAPITAL OF THE COMPANY [Regulation 60 - Exemption granted - see p11]	22
5. OPTIONS OR PREFERENTIAL RIGHTS IN RESPECT OF SHARES [Regulation 61 - Exemption granted- see p11]	22
6. COMMISSIONS PAID AND PAYABLE IN RESPECT OF UNDERWRITING [Regulation 62]	22
7. MATERIAL CONTRACTS [Regulation 63 - Exemption granted - see p11]	22
8. INTERESTS OF DIRECTORS AND PROMOTERS [Regulation 64 - Exemption granted- see p11]	22
9. LOANS [Regulation 65 - Exemption granted- see p11]	22
10. SHARES ISSUED OR TO BE ISSUED OTHER THAN FOR CASH [Regulation 66 - Exemption granted- see p11]	22
11. PROPERTY ACQUIRED OR TO BE ACQUIRED [Regulation 67 - Exemption granted- see p11]	22
12. AMOUNTS PAID OR PAYABLE TO PROMOTERS [Regulation 68 - Exemption granted- see p11]	22
13. PRELIMINARY EXPENSES AND ISSUE EXPENSES [Regulation 69 - Exemption granted- see p11]	22
SECTION 2 – INFORMATION ABOUT THE OFFERED SECURITIES [Regulation 56]	23
1. PURPOSE OF THE OFFER [Regulation 70 - Exemption granted- see p11]	23
2. TIMES AND DATES [Regulation 71]	23
3. PARTICULARS OF THE OFFER CONTEMPLATED IN THIS PROSPECTUS [Regulation 72]	23
4. MINIMUM SUBSCRIPTION [Regulation 73]	23
5. RISK FACTORS	23
SECTION 3 – STATEMENTS AND REPORTS RELATING TO THE COMPANY [Regulation 56]	27
1. STATEMENT AS TO ADEQUACY OF CAPITAL [Regulation 74 - Exemption granted - see p11]	27
2. REPORT OF DIRECTORS AS TO MATERIAL CHANGES [Regulation 75- Exemption granted - see p11]	27
3. STATEMENT AS TO LISTING ON A STOCK EXCHANGE [Regulation 76]	27
4. REPORT BY THE AUDITOR WHERE BUSINESS UNDERTAKING TO BE ACQUIRED [Regulation 77]	27
5. REPORT BY THE AUDITOR WHERE COMPANY WILL ACQUIRE A SUBSIDIARY [Regulation 78]	27
6. REPORT BY THE AUDITOR OF THE COMPANY [Regulation 79- Exemption granted - see p11]	27
SECTION 4 – ADDITIONAL MATERIAL INFORMATION [Regulation 56]	28
SECTION 5 – INAPPLICABLE OR IMMATERIAL MATTERS [Regulation 56]	29
Appendix 1	30
Offering Circular [Regulation 56 and 72]	30
Appendix 2	64
Annual Financial Information of FirstRand for the year ended 30 June 2014 (extracted from the annual report of FirstRand)	64

Appendix 3	99
Letter of Confirmation from Deloitte & Touche	99
Appendix 4	100
Letter of Confirmation from PricewaterhouseCoopers Inc	100
Appendix 5	101
Letter of Confirmation from Webber Wentzel	101
Appendix 6	102
Letter of Confirmation from Rand Merchant Bank	102

DEFINITIONS AND INTERPRETATIONS

In this document and its appendices, unless otherwise stated or the context otherwise indicates, the words in the first column shall have the meanings stated opposite them in the second column and the words in the singular shall include the plural and vice versa, words importing natural persons shall include corporations and associations of persons and an expression denoting any gender shall include the other genders:

“Allocated Krugerrand/s” or “Krugerrand Coin/s”	a specific one ounce fine gold Krugerrand Coin with a standard mass of approximately 33,965 grams as referred to in Schedule 2 to the South African Reserve Bank Act 90 of 1986, identified by its Unique Number, to be allocated by the Allocator to a Holder through the application of the Allocation Algorithm;
“Allocation Algorithm”	the bespoke algorithm-based allocation system that will be used by the Allocator to identify the Krugerrand to be Delivered to the Holder;
“Allocator”	the Issuer, acting as allocator of Krugerrand Coins as set out in clause 9.3 of the Contract;
“Business Day”	a day other than a Saturday, Sunday or an official public holiday in the Republic of South Africa;
“CIPC”	the Companies and Intellectual Property Commission, established in terms of section 185 of the Companies Act;
“Companies Act”	the Companies Act, 71 of 2008, as amended;
“Companies Regulations”	the Companies Regulations, 2011, promulgated under the Companies Act, as amended;
“Contract”	the contract setting out the terms and conditions pursuant to which the right to Delivery in respect of a Krugerrand (which upon such Delivery becomes the Allocated Krugerrand) is bought and sold. A full copy of the Contract terms and conditions is set out in Appendix 1 to this Prospectus;
“Custodian”	the custodian that will hold the Allocated Krugerrand, being Brink’s Southern Africa (Proprietary) Limited, registration number 1996/004662/07), or such other additional custodian as the Issuer may appoint from time to time;
“Delivery” and “Delivered”	the delivery of a Krugerrand to effect transfer of ownership thereof from the party delivering the Krugerrand to the party receiving it. In respect of the initial delivery (i.e. the first delivery after the manufacture of the Krugerrand by Rand Refinery), by Rand Refinery (as agent of the Issuer) to the Custodian (as agent for a Holder who is entitled to receive delivery and whose name, in respect of such delivery appears in the most recent Ownership Register), delivery is in the form of an actual delivery of the Krugerrand. In respect of further deliveries (once the Krugerrand is in the custody of the Custodian), delivery is in the form of attornment, where the Custodian will, on instructions from the Allocator, duly authorized by the transferor and the transferee, cease to hold the Krugerrand for the transferor and commence holding the Krugerrand on behalf of the transferee;

“FirstRand Limited”	FirstRand Limited (registration number 1966/010753/06), a public company duly registered and incorporated with limited liability in accordance with the company laws of South Africa, the shares of which are listed on Main Board of the JSE;
“FM Act”	the Financial Markets Act 19 of 2012, as amended from time to time;
“Holder”	the person registered from time to time in the Security Register as a registered Holder of a Krugerrand Custodial Certificate;
“Issuer” or “FirstRand” or “the Company”	FirstRand Bank Limited (registration number 1929/001225/06), acting through its Rand Merchant Bank division, a public company duly registered and incorporated with limited liability in accordance with the company laws of South Africa, and a wholly-owned subsidiary of FirstRand Limited;
“JSE”	the Johannesburg Stock Exchange being the exchange operated by The JSE Limited, (Registration number 2005/022939/06), a public company incorporated in South Africa;
“Krugerrand Custodial Certificate” or “KCC”	a Krugerrand Custodial Certificate, created, listed and issued by the Issuer, in terms of which the Holder acquires (i) the right to Delivery of a specific Krugerrand, identified by its Unique Number, allocated to the Holder by the Allocator through the application of the Allocation Algorithm and (ii) the right to sell the right to Delivery of a specific Krugerrand;
“Market Maker”	FirstRand, acting through its Rand Merchant Bank division;
“Offer”	the offer of 20 Krugerrand Custodial Certificates to Subscribers as set out in this Prospectus;
“Offering Circular”	the Offering Circular relating to the listing and issuance of Krugerrand Custodial Certificates dated 21 October 2014 and set out in Appendix 1;
“Ownership Register”	the register of Holders and their Allocated Krugerrands, maintained by the Issuer;
“Prospectus”	this bound prospectus, dated 16 October 2015, issued in terms of section 100 of the Companies Act;
“Rand Refinery”	Rand Refinery Limited, (Registration number 1920/006598/06), a public company incorporated in South Africa, or its successor in title;
“Security Register”	the register of owners of Krugerrand Custodial Certificates maintained by STRATE, in terms of the FM Act and STRATE’s rules and procedures, as evidenced from time to time by a weekly download thereof, known as the “BND Download”;
“STRATE”	Strate Limited, (Registration number 1998/022242/06), a public company incorporated in South Africa, or its successor in title;
"Subscribers"	a member of the public and/or an investor who applies to purchase Krugerrand Custodial Certificates on the basis described in this Prospectus, and "Subscriber" shall mean any one of the Subscribers;

“Unique Number”	a unique number allocated to each Krugerrand subject to the Contract, and linked to the Krugerrand by placing the Krugerrand in tamperproof plastic packaging which has the unique number affixed to it; and
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PROSPECTUS

DOCUMENTS AND CONSENTS AVAILABLE FOR INSPECTION

In terms of Regulation 53 of the Companies Regulations, certified copies of the following documents will be available for inspection at the registered office of the Issuer from the date of this Prospectus until the 10th Business Day following the closing date of the Offer, namely 5 November 2015:

- this Prospectus;
- the board resolutions of the Issuer authorising the signing of the Prospectus;
- the memorandum of incorporation of the Issuer; and
- the written consent of each of the persons referred to in Section 1, paragraph 2.3 of this Prospectus.

EXPLANATORY NOTE - EXEMPTIONS GRANTED IN TERMS OF SECTION 100(9) OF THE COMPANIES ACT

The CIPC has exercised its discretion in terms of section 100(9) of the Companies Act and allowed the Issuer to omit specific information from the Prospectus. The full mechanics of the structure of KCCs are set out in this Prospectus (particularly in Appendix 1). The exemptions, which are set out in the body of this Prospectus, have been granted on the following basis (which should be read together with the mechanics of the structure):

- a) although a KCC is, in the strict sense of the word, a "security" for purposes of this definition in the Companies Act, a KCC is not similar to a share or a debenture in terms of equity or debt being issued by the Issuer. A Holder is not an investor in or lender to FirstRand. Therefore, a Holder will have no entitlements to the profits of FirstRand by way of dividends; the right to attend and vote at meetings of FirstRand or any other rights usually afforded to shareholders in a company. Similarly, the Holder is not a creditor of FirstRand. It follows that since the Holder has no interest or entitlement to FirstRand itself, the full details of FirstRand, including the financial performance of FirstRand, the details of which would ordinarily be required to be disclosed in a prospectus are irrelevant for present purposes as a Holder does not need to be apprised of all information relating to FirstRand in order to be able to make an informed decision as to whether it wishes to purchase KCCs;
- b) the issue of KCCs by FirstRand is not a capital raising exercise but merely a mechanism to facilitate the sale on the exchange of an individual Krugerrand Coin directly owned by a Holder. FirstRand acts as a product vendor (coin and storage) in this structure. Due to the fact that FirstRand only acts as a product vendor, the financial performance of FirstRand does not hold any relevance to the Holder. The Holder owns the Allocated Krugerrand Coin(s) directly and as such, is removed from having to rely on the solvency of FirstRand;
- c) once the purchase price of the Krugerrand Coin has been paid, the Holder has no exposure to FirstRand (any claim is against Rand Refinery or to the Custodian) except for payment of the monthly storage fees by FirstRand to the Custodian. However, as described in Appendix 1, the KCC has been structured in such a way that a two month buffer in respect of storage fees is held by the Custodian at all times and the JSE is notified if FirstRand fails to pay storage fees. If a failure to pay fees is not rectified, the KCC will delist, and the Holder will be entitled to take delivery of his/her Krugerrand Coin or elect cash instead. If a cash settlement is elected, FirstRand will sell the Krugerrand Coin on the Holder's behalf;
- d) as there is no exposure of any significance by the Holder to FirstRand, the positive fortunes of FirstRand have no effect on the Holder and the negative fortunes of FirstRand have very little effect on the Holder. Therefore, much of the detailed information that would ordinarily be relevant in a prospectus (such as historic information) will have no relevance to the Holder. Furthermore, FirstRand is a bank regulated by the South African Reserve Bank, and substantial comfort would be accorded to the Holder as a result thereof;
- e) FirstRand's annual financial statements for the year ended 30 June 2014, as extracted from FirstRand's annual report, is attached as Appendix 2 to this Prospectus. The notes to the annual financial statements can be found on the website <http://www.firstrand.co.za/InvestorCentre/Current%20FRB%20annual%20report/FirstRand%20Bank%20Limited%20annual%20report%20-%20June%202014.pdf>. The disclosure set out in the annual financial statements is more than sufficient to enable a Subscriber to form an opinion of the credit worthiness of FirstRand. Any further information to be provided by FirstRand would be excessive and serve no value to the Holder. In addition, it would be unnecessarily burdensome for FirstRand to have to collate and provide the additional information in respect of which an exemption has been granted;
- f) the main issues that affect the Holder, each of which are addressed in the Prospectus, are as follows:
 - a. the individual beneficial ownership of a Krugerrand Coin;
 - b. the safety and continued existence of the Holder's Allocated Krugerrand Coins in storage with the Custodian (which is an internationally recognised custodian) and the timeous payment of storage fees by FirstRand (addressed in Appendix 1); and
 - c. the mechanism for transfer (which has been approved by the JSE);

- g) The structure, therefore, provides appropriate protective mechanisms to the Holder and the only exposure to FirstRand is the liability of FirstRand to pay storage fees (of which the two month buffer period mechanism described in Appendix 1) provides comfort to the Holder).

On the grounds set out above, the CIPC has agreed, in a letter dated 5 March 2015, to exempt FirstRand from having to disclose in the Prospectus the information set out in the following Regulations:

- Regulation 58(3)(a)
- Regulation 58(3)(c)
- Regulation 59(3)(a)
- Regulation 59(3)(b)
- Regulation 59(3)(c)
- Regulation 59(3)(e)
- Regulation 59(3)(f)
- Regulation 59(3)(g)
- Regulation 60
- Regulation 61
- Regulation 63(1)(a)
- Regulation 63(1)(b)
- Regulation 64(2)(a)
- Regulation 64(2)(b)
- Regulation 64(2)(c)
- Regulation 65(2)(a)
- Regulation 65(2)(b)
- Regulation 66
- Regulation 67
- Regulation 68
- Regulation 69
- Regulation 70
- Regulation 72(2) and (72)(3)
- Regulation 74
- Regulation 75
- Regulation 79

SECTION 1 – COMPANY INFORMATION [Regulation 56]

1. NAME, ADDRESS, INCORPORATION [Regulation 57]

- 1.1. **Name and registration number** [Regulation 57(1)(a)]
FirstRand Bank Limited, registration number 1929/001225/06
- 1.2. **Addresses** [Regulation 57(1)(b)]
 - 1.2.1. **Registered office address** – 4 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton (PO Box 650149)
 - 1.2.2. **Address of Transfer Secretary** – Strate Limited, 1st Floor, 9 Fricker Road, Illovo Boulevard, Sandton, 2196
- 1.3. **Date of incorporation** [Regulation 57(1)(c)]
Incorporated in South Africa on 11 January 1929
- 1.4. **Name and registered address of holding company** [Regulation 57(3)(a)]
 - 1.4.1. **Name:** FirstRand Limited, registration number 1966/010753/06
 - 1.4.2. **Registered office address:** 4 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton (PO Box 650149)

2. DIRECTORS, OTHER OFFICE HOLDERS OR MATERIAL THIRD PARTIES [Regulation 58]

2.1. Directors of the Company

- 2.1.1. **Executive directors** [Regulation 58(2)(a)]
[Regulation 58(3)(a) - Exemption granted (see page 11)]

Alan Patrick Pukkinger (50)

Nationality:	South African
Business address:	4 Merchant Place, Cnr Rivonia Road and Fredman Drive, Sandton, 2146
Appointed:	October 2015
Qualifications:	Bcom (cum laude) Hons, M Com (Accounting), CA (SA), CFA (USA)
Occupation:	Chartered Accountant

Johan Petrus Burger (55)

Nationality:	South African
Business address:	4 Merchant Place, Cnr Rivonia Road and Fredman Drive, Sandton, 2146
Appointed:	January 2009
Qualifications:	BCom (Hons), CA(SA)
Occupation:	Deputy Chief Executive Officer

Hetash Surendrakumar Kellan (42)

Nationality:	South African
Business address:	4 Merchant Place, Cnr Rivonia Road and Fredman Drive, Sandton, 2146
Appointed:	January 2014
Qualifications:	BCom, BCom (Hons), CA(SA)
Occupation:	Chief Financial Officer and Executive Director of FirstRand Bank Limited

2.1.2. **Non-executive directors** [Regulation 58(2)] [Regulation 58(3)(a) - Exemption granted - see p11]

Lauritz Lanser Dippenaar (65)

Nationality: South African
Business address: 4 Merchant Place, Cnr Rivonia Road and Fredman Drive, Sandton, 2146
Appointed: July 1992
Qualifications: MCom, CA(SA)
Occupation: Non-executive chairman of FirstRand

Mary Sina Bomela (41)

Nationality: South African
Business address: 4 Eton Road, Parktown, Gauteng
Appointed: September 2011
Qualifications: BCom (Hons), CA(SA), MBA
Occupation: CEO of Mineworkers Investment Company

Leon Crouse (61)

Nationality: South African
Business address: Millenia Park, 16 Stellantia Avenue, Stellenbosch, Western Cape, 7600
Appointed: Appointed 2008
Qualifications: CA(SA)
Occupation: CFO of Remgro Limited

Jan Jonathan Durand (47)

Nationality: South African
Business address: Millenia Park, 16 Stellantia Avenue, Stellenbosch, Western Cape, 7600
Appointed: October 2012
Qualifications: BAcc (Hons), MPhil (Oxon), CA(SA)
Occupation: CEO of Remgro Limited

Paul Kenneth Harris (64)

Nationality: South African
Business address: 3rd Floor, 2 Merchant Place, Cnr Rivonia Road and Fredman Drive, Sandton, 2146
Appointed: July 1992
Qualifications: MCom
Occupation: Businessman

Amanda Tandiwe Nzimande (44)

Nationality: South African
Business address: Unit DG0001, Ground Floor, Grosvenor Gate, Hyde Park Lane, 2199, Gauteng
Appointed: February 2008
Qualifications: BCom, CTA (UCT), CA(SA), HDip Co Law (Wits)
Occupation: CFO of WDB Investment Holdings (Pty) Ltd

Paballo Joel Makosholo (36)

Nationality: South African
 Business address: 27 Scott Street, Waverley, 2090, Gauteng
 Appointed: October 2015
 Qualifications: Cost and management accounting diploma, certificate in Theory of Accounting, M Com (South African and International Taxation), CA (SA)
 Occupation: Chartered Accountant

Deepak Premnarayan (68)

Nationality: Indian
 Business address: 4th Floor, A Block Business Square, Solitaire Corporate Park, Chakala, Andheri (East), Mumbai, 4000 093 India
 Appointed: January 2009
 Qualifications: BA Economics (Hons) India
 Occupation: Executive Chairman and founder of the ICS Group

Independent Non-Executive Directors**Vivian Wade (Viv) Bartlett (71)**

Nationality: South African
 Business address: 4 Merchant Place, Cnr Rivonia Road and Fredman Drive, Sandton, 2146
 Appointed: May 1998
 Qualifications: AMP (Harvard), FIBSA
 Occupation: Businessman

Grant Glenn Gelink (64)

Nationality: South African
 Business address: Deloitte Place, Johannesburg, 2052
 Appointed: January 2013
 Qualifications: BCompt (Hons), BCom (Hons), CA(SA)
 Occupation: Businessman

Patrick Maguire (Pat) Goss (66)

Nationality: South African
 Business address: 2 Merchant Place, Sandton, Gauten 2196
 Appointed: May 1998
 Qualifications: BEcon (Hons), BAccSc (Hons), CA(SA)
 Occupation: Chairman and Director of Umngazi River Bungalows

**Nolulamo Nobambiswano (Lulu)
Gwagwa (55)**

Nationality: South African
Business address: 39 Rivonia Road, Sandton, Gauteng 2196
Appointed: February 2004
Qualifications: BA (Fort Hare), MTRP (Natal), MSc (cum laude) (London), PhD (London)
Occupation: Chief Executive Officer of Lereko Investments Limited

**William Rodger (Roger) Jardine
(49)**

Nationality: South African
Business address: 204 Rivonia Road, Sandton, Gauteng 2057
Appointed: July 2010
Qualifications: BSc (Physics), MSc (Radiological Physics)
Occupation: Chief Executive Officer of Aveng Group

Russell Mark Loubser (64)

Nationality: South African
Business address: One Exchange Square, Sandton, Gauteng 2196
Appointed: 5 September 2014
Qualifications: MCom (Statistics), BCom (Hons) (Accounting), CA(SA)
Occupation: Businessman

**Ethel Gothatamodimo Matenge-
Sebesho (59)**

Nationality: South African
Business address: 4 Merchant Place, Sandton, Gauteng 2196
Appointed: July 2010
Qualifications: MBA (Brunel), CAIB (SA)
Occupation: Businessman

Benedict James van der Ross (67)

Nationality: South African
Business address: 40 Heerengracht, Cape Town, Western Cape 8001
Appointed: May 1998
Qualifications: Dip Law (UCT)
Occupation: Director of Emira Property Fund Limited

**Jan Hendrik (Hennie) van
Greuning (61)**

Nationality: South African
Business address: 4 Merchant Place, Sandton, Gauteng 2196
Appointed: January 2009
Qualifications: DCom (Economics), DCompt (Accounting Science), CA(SA), CFA
Occupation: Businessman

Alternate non-executive director

Peter Cooper (58)

Nationality:	South African
Business address:	2 Merchant Place, Sandton, Gauteng 2196
Appointed:	July 2013
Qualifications:	BCom (Hons), H Dip Tax, CA (SA)
Occupation:	Businessman

2.2. Name and business address of company secretary [Regulation 58(2)(b)(iii)]

Carnita Low

Identity number: 7504 010 169 088

Business Address: 4 Merchant Place, Cnr Rivonia Road and Fredman Drive, Sandton, 2146

Appointed: 6 January 2014

Qualifications: BA (UCT), LLB (UCT), LLM (Tax) (UCT), MBA (Wits Business School), Diploma in Banking (UJ)

Occupation: Company Secretary

Term of office: No fixed term but subject to the provisions of the MOI and the Companies Act.

2.3. Name and address of the auditors, attorneys, banker, stocker broker and underwriters

2.3.1. Auditors: [Regulation 58(2)(b)(i)]

PriceWaterhouseCoopers Inc.

2 Englin Road
Sunninghill
2157

Deloitte & Touche

Building 8
Deloitte Place
The Woodlands
Woodlands Drive
Woodmead, Sandton
Docex 10 Johannesburg

A copy of the consent letters of Deloitte & Touche and PriceWaterhouse Coopers Inc to be named as the Issuer's auditors in the Prospectus is attached as Appendix 3 and Appendix 4 respectively;

2.3.2. Attorneys: Webber Wentzel [Regulation 58(2)(b)(ii)]

10 Fricker Road
Illovo Boulevard
Johannesburg, 2196
(PO Box 61771, Marshalltown, 2107)

A copy of the consent letter of Webber Wentzel to be named as the Issuer's attorneys in the Prospectus is attached as Appendix 5; and

2.3.3. Bankers: Rand Merchant Bank (a division of First Rand Bank Limited) [Regulation 58(2)(b)(ii)]

4 Merchant Place
Cnr Rivonia Road and Fredman Drive
Sandton
(PO Box 786273, Sandton 2146)

A copy of the consent letter of Rand Merchant Bank to be named as the Issuer's bankers in the Prospectus is attached as Appendix 6.

The Issuer has not appointed stockbrokers or underwriters. [Regulation 58(2)(b)(ii)]

2.4. Directors' remuneration and service contracts [Regulation 58]

2.4.1. The following non-executive directors of FirstRand Limited are also non-executive directors of FirstRand Bank Limited and emoluments paid to directors for 2013 and 2014 are set out in the table below (as extracted from the Issuer's Annual Financial Statements for the year ended 30 June 2014): [Regulation 58(3)(b)].

There will be no review of the directors' remuneration as a result of the transaction set out in this Prospectus. No fees were paid or accrued to any third party in lieu of directors fees.

The following executive directors of FirstRand Limited are also executive directors of FirstRand Bank Limited and emoluments paid to directors for 2013 and 2014 are set out in the table below (as extracted from the Issuer's Annual Financial Statements for the year ended 30 June 2014): [Regulation 58(3)(b)].

Directors' and prescribed officers' emoluments (audited)

	2014			2013		
R thousand (000)	Service as directors		Total	Service as directors		Total
	FSR	Group	2014	FSR	Group	2013
Non-executive directors						
LL Dippenaar (chairman)	3,833	158	3,991	3,402	206	3,608
VW Bartlett ¹	855	254	1,109	884	631	1,515
JJH Bester ¹	1,504	2,235	3,739	1,330	2,266	3,596
MS Bomela	754	79	833	607	76	683
P Cooper (alternate - appointed July 2013)	293	30	323	–	–	–
L Crouse	911	74	985	843	50	893
JJ Durand	581	50	631	485	50	535
PM Goss ¹	742	199	941	677	122	799
NN Gwagwa ¹	582	91	673	541	50	591
G Gelink	915	117	1,032	502	–	502
PK Harris	455	50	505	426	50	476
WR Jardine ¹	553	61	614	582	62	644
EG Mantenge-Sebeshe ¹	679	353	1,032	639	303	942
AT Nzimande	645	91	736	600	50	650
D Premnarayan ^{2,3}	910	122	1,032	852	99	951
KB Schoeman	535	61	596	483	62	545
T Store ¹ (retired May 2013)	–	–	–	1,014	267	1,281
BJ van der Ross ¹	669	755	1,424	711	402	1,113
JH van Greuning ^{1,4}	1,251	3,965	5,216	1,183	2,782	3,965
Total non-executive directors	16,667	8,745	25,412	15,761	7,528	23,289

1. Independent non-executive director.

2. Non-executive director.

3. Foreign-domiciled director paid in USD. 2014 amount was \$99 416 (2013: \$107 575).

4. Foreign-domiciled director paid in USD. 2014 amount was \$502 476 (2013: \$448 516).

2.4.2.

Prescribed officers' emoluments

R thousand	2008	2009	2010	2011	2012	2013	2014
SE Nxasana¹							
Cash package paid during the year	4 065	4 427	5 101	6 220	6 614	7 037	7 522
Retirement contributions paid during the year	555	617	617	616	786	834	891
Other allowances ²	–	–	93	97	81	68	75
Subtotal	4 620	5 044	5 811	6 933	7 481	7 939	8 488
Performance related in respect of the year ³	8 100	4 860	5 820	8 190	9 600	11 460	10 000
Portion of performance related deferred in share awards ⁴	–	–	5 180	4 460	5 400	6 640	11 000
Subtotal	8 100	4 860	11 000	12 650	15 000	18 100	21 000
Total	12 720	9 904	16 811	19 583	22 481	26 039	29 488
JP Burger¹							
Cash package paid during the year	3 756	4 258	4 699	5 503	5 776	6 103	6 591
Retirement contributions paid during the year	610	692	698	679	866	915	981
Other allowances ²	–	–	62	74	118	156	98
Subtotal	4 366	4 950	5 459	6 256	6 760	7 174	7 670
Performance related in respect of the year ³	7 650	4 590	5 520	7 470	8 760	10 440	9 000
Portion of performance related deferred in share awards ⁴	–	–	4 480	3 980	4 840	5 960	10 000
Subtotal	7 650	4 590	10 000	11 450	13 600	16 400	19 000
Total	12 016	9 540	15 459	17 706	20 360	23 574	26 670
A Pullinger							
Cash package paid during the year	1 281	1 286	1 571	1 743	1 981	2 037	2 174
Retirement contributions paid during the year	213	333	298	330	339	407	556
Other allowances ²	–	–	100	110	99	122	13
Subtotal	1 494	1 619	1 969	2 183	2 419	2 566	2 743
Performance related in respect of the year ³	18 000	1 050	11 280	13 416	11 400	13 200	15 000
Portion of performance related deferred in share awards ⁴	–	–	6 520	7 944	6 600	7 800	9 000
Subtotal	18 000	1 050	17 800	21 360	18 000	21 000	24 000
Total	19 494	2 669	19 769	23 543	20 419	23 566	26 743

All executive directors and prescribed officers have a notice period of one month. Non-executive directors are appointed for a period of three years and are subject to the Companies Act 71 of 2008 provisions relating to removal. Benefits derived by executive directors in terms of their long-term incentive schemes are disclosed on pages 104 to 107.

1. These prescribed officers in terms of the Companies Act 71 of 2008 are also executive directors. FirstRand defines its prescribed officers as members of Group strategic executive committee: Group CEO, Group deputy CEO, financial director, and the CEOs of the Group's operating franchises (FNB, RMB and WesBank).

2. Other allowances includes travel and medical.

3. Variable compensation paid in cash in respect of the year ended 30 June, is paid (with an interest factor) in three tranches, during the following year ending 30 June.

4. Performance payments deferred as a conditional award in terms of the FirstRand conditional incentive plan vest two years after the award date. Refer to note 31 in the annual financial statements.

Prescribed officers' emoluments continued

R thousand	2008	2009	2010	2011	2012	2013	2014
Retiring prescribed officers (effective 31 December 2013)							
M Jordaan⁵							
Cash package paid during the year	3 286	3 606	3 898	4 283	4 604	4 917	2 615
Retirement contributions paid during the year	692	760	692	760	816	945	2 003
Other allowances ²	–	–	133	144	149	46	24
Subtotal	3 978	4 366	4 723	5 187	5 569	5 908	4 642
Performance related in respect of the year ³	8 950	6 265	5 400	6 360	7 512	10 320	–
Portion of performance related deferred in share awards ⁴	–	–	2 600	3 240	4 008	5 880	–
Subtotal	8 950	6 265	8 000	9 600	11 520	16 200	–
Total	12 928	10 631	12 723	14 787	17 089	22 108	4 642
B Riley⁵							
Cash package paid during the year	1 697	2 177	2 315	2 572	2 746	2 887	1 536
Retirement contributions paid during the year	218	275	268	297	270	432	229
Other allowances ²	–	–	100	106	163	52	27
Subtotal	1 915	2 452	2 683	2 975	3 179	3 371	1 792
Performance related in respect of the year ³	2 762	1 700	3 000	4 200	5 400	6 000	–
Portion of performance related deferred in share awards ⁴	–	–	1 000	1 800	2 600	3 000	–
Subtotal	2 762	1 700	4 000	6 000	8 000	9 000	–
Total	4 677	4 152	6 683	8 975	11 179	12 371	1 792

All executive directors and prescribed officers have a notice period of one month. Non-executive directors are appointed for a period of three years and are subject to the Companies Act 71 of 2008 provisions relating to removal. Benefits derived by executive directors in terms of their long-term incentive schemes are disclosed on pages 104 to 107.

2. Other allowances includes travel and medical.

3. Variable compensation paid in cash in respect of the year ended 30 June, is paid (with an interest factor) in three tranches, during the following year ending 30 June.

4. Performance payments deferred as a conditional award in terms of the FirstRand conditional incentive plan vest two years after the award date. Refer to note 31 in the annual financial statements.

5. Prescribed officer retired 31 December 2013.

Prescribed officers' emoluments continued

R thousand	2014
New prescribed officers (effective 1 October 2013)	
H Kellan^{1,6}	
Cash package paid during the year	4 046
Retirement contributions paid during the year	362
Other allowances ²	98
Subtotal	4 506
Performance related in respect of the year ³	4 416
Portion of performance related deferred in share awards ⁴	1 944
Subtotal	6 360
Total	10 866
J Celliers⁶	
Cash package paid during the year	4 901
Retirement contributions paid during the year	490
Other allowances ²	122
Subtotal	5 513
Performance related in respect of the year ³	5 400
Portion of performance related deferred in share awards ⁴	2 600
Subtotal	8 000
Total	13 513
C De Kock⁶	
Cash package paid during the year	2 778
Retirement contributions paid during the year	266
Other allowances ²	71
Subtotal	3 115
Performance related in respect of the year ³	4 200
Portion of performance related deferred in share awards ⁴	1 800
Subtotal	6 000
Total	9 115

All executive directors and prescribed officers have a notice period of one month. Non-executive directors are appointed for a period of three years and are subject to the Companies Act 71 of 2008 provisions relating to removal. Benefits derived by executive directors in terms of their long-term incentive schemes are disclosed on pages 104 to 107.

1. These prescribed officers in terms of the Companies Act 71 of 2008 are also executive directors. FirstRand defines its prescribed officers as members of Group strategic executive committee: Group CEO, Group deputy CEO, financial director, and the CEOs of the Group's operating franchises (FNB, RMB and WesBank).

2. Other allowances includes travel and medical.

3. Variable compensation paid in cash in respect of the year ended 30 June, is paid (with an interest factor) in three tranches, during the following year ending 30 June.

4. Performance payments deferred as a conditional award in terms of the FirstRand conditional incentive plan vest two years after the award date. Refer to note 31 in the annual financial statements.

6. Prescribed officer appointed 1 October 2013. Emoluments include earnings in prior role from 1 July 2013 to 30 September 2013.

Co-investment scheme

In addition to contractual and performance remuneration, prescribed officers are entitled to participate in a co-investment scheme. Profit share, as shown in the table below, is based on a capital contribution placed at risk by the employee.

R thousand	2014	2013
JP Burger	6 222	649
M Jordaan	3 111	324
SE Nxasana	1 376	143
A Pullinger	8 255	853

2.4.3. **Directors' Service Contracts** [Regulation 58(3)(a) - Exemption granted -see p11]

2.4.4. **Borrowing powers of the Issuer exercisable by the directors** [Regulation 58(3)(c) - Exemption granted - see p11]

2.4.5. **Management of the Issuer by a third party** [Regulation 58(3)(d)]
Neither the business of the Issuer or any part thereof is managed or is proposed to be managed by a third party under a contract.

3. HISTORY, STATE OF AFFAIRS AND PROSPECTS OF THE COMPANY [Regulation 59]

3.1. General description of business carried on by the Issuer [Regulation 59(2)(b)]

FirstRand is a wholly-owned subsidiary of FirstRand Limited, which is listed on the JSE and the Namibian Stock Exchange (NSX). FirstRand provides a comprehensive range of retail, commercial, corporate and investment banking services in South Africa and offers niche products in certain international markets. FirstRand has three major divisions which are separately branded.

Overview of divisions

FNB

FNB represents FirstRand's retail and commercial activities in South Africa. FNB offers a diverse set of financial products and services to market segments including consumer, small business, agricultural, medium corporate, parastatals and government entities. FNB's products include mortgage loans, credit and debit cards, personal loans and investment products. Services include transactional and deposit taking, card acquiring, credit facilities and distribution channels (namely, the branch network, ATMs, call centres, cellphone and internet).

RMB

RMB is the corporate and investment banking arm of FirstRand. Offering innovative, value-added advisory, funding, trading, corporate banking and principal investing solutions, RMB is a market leader in South Africa and has a deal footprint across more than 35 African countries.

WesBank

WesBank provides full-service instalment credit finance to both the retail and corporate market. It is a market leader in both asset-based finance and fleet-management solutions. WesBank's strategy of partnering with motor manufacturers and dealer groups is a significant factor in the growth of its business and the dominant position that it holds in the financing of motor vehicles. WesBank runs a motor finance business, MotoNovo Finance, in the UK.

3.2. **Corporate governance** [Regulation 54(1)(b)(i); 54(1)(b)(ii)]

FirstRand Limited is the bank-controlling company of FirstRand. The governance structures for FirstRand were constituted at a FirstRand Limited level in terms of authority received from the South African Registrar of Banks. The directors of FirstRand ensure compliance with all relevant regulations including the SA Banks Act, SA Companies Act, Basel Committee on Banking Supervision and Financial Stability Board requirements, and other best practice regulations flowing from both local and international authorities. FirstRand endorses the Code of Corporate Practices and Conduct recommended in the Code of Conduct on Corporate Governance for South Africa (2009) (King III), and is satisfied that FirstRand has applied the principles of the King III Code consistently during the year under review.

3.3. **Statement to be made if offer is not being underwritten** [Regulation 54(3)(a)]

This offer is not being underwritten and is not conditional on the raising of a specified minimum amount.

3.4. **History** [Regulation 59(3)(a) - Exemption granted - see p11]

3.5. **Material changes** [Regulation 59(3)(a) - Exemption granted - see p11]

3.6. **Prospects** [Regulation 59(3)(c) - Exemption granted - see p11]

3.7. **State of affairs of FirstRand and any subsidiary** [Regulation 59(3)(d)]

Refer to paragraph 3.1 above. Whilst the FirstRand Limited group ("**Group**") is predominantly South African based, it has subsidiaries in Namibia, Botswana, Zambia, Mozambique, Tanzania, Nigeria, Swaziland and Lesotho. FirstRand has branches in India and the United Kingdom, and representative offices in Dubai, Kenya, Angola and China.

FirstRand's vision is to be the African financial services group of choice, create long-term franchise value, deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility and maintain balance sheet strength. FirstRand seeks to achieve

this with two parallel growth strategies, which are executed through its portfolio of operating franchises, within a framework set by the Group. The growth strategies are: (i) become a predominant player in all of the financial services profit pools in South Africa, growing in existing markets and those where it is under-represented; and (ii) grow its franchise in the broader African continent, targeting those countries expected to show above average domestic growth and which are well positioned to benefit from the trade and investment flows between Africa, China and India.

FirstRand does not have any subsidiaries at the date of this Prospectus.

- 3.8. **Principal immovable properties** [Regulation 59(3)(e) - Exemption granted - see p11]
- 3.9. **Commitments for the purchase, construction or installation of buildings, plant, machinery** [Regulation 59(3)(f) - Exemption granted - see p11]
- 3.10. **Company particulars and dividend policy** [Regulation 59(3)(g) - Exemption granted- see p11)]
- 4. **SHARE CAPITAL OF THE COMPANY** [Regulation 60 - Exemption granted - see p11]
- 5. **OPTIONS OR PREFERENTIAL RIGHTS IN RESPECT OF SHARES** [Regulation 61 - Exemption granted- see p11]
- 6. **COMMISSIONS PAID AND PAYABLE IN RESPECT OF UNDERWRITING** [Regulation 62]
No consideration has been paid by the Issuer in the preceding two years, and no commissions are payable as commission to any person for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for KCCs.
- 7. **MATERIAL CONTRACTS** [Regulation 63 - Exemption granted - see p11]
- 8. **INTERESTS OF DIRECTORS AND PROMOTERS** [Regulation 64 - Exemption granted- see p11]
- 9. **LOANS** [Regulation 65 - Exemption granted- see p11]
- 10. **SHARES ISSUED OR TO BE ISSUED OTHER THAN FOR CASH** [Regulation 66 - Exemption granted- see p11]
- 11. **PROPERTY ACQUIRED OR TO BE ACQUIRED** [Regulation 67 - Exemption granted- see p11]
- 12. **AMOUNTS PAID OR PAYABLE TO PROMOTERS** [Regulation 68 - Exemption granted- see p11]
- 13. **PRELIMINARY EXPENSES AND ISSUE EXPENSES** [Regulation 69 - Exemption granted- see p11]

SECTION 2 – INFORMATION ABOUT THE OFFERED SECURITIES [Regulation 56]

The particulars about the Krugerrand Custodial Certificates are set out in Appendix 1.

1. PURPOSE OF THE OFFER [Regulation 70 - Exemption granted- see p11]

2. TIMES AND DATES [Regulation 71]

	2015
Date on which the Offer contemplated in this Prospectus will be open is	19 October
Date on which the Offer contemplated in this Prospectus will close is	22 October

3. PARTICULARS OF THE OFFER CONTEMPLATED IN THIS PROSPECTUS [Regulation 72]

3.1. Terms of Offer [Regulation 72(1)(a) to (e)]

A total aggregate of 20 Krugerrand Custodial Certificates is available for subscription in terms of this Offer ("**Maximum KCCs**").

Each Krugerrand Custodial Certificate shall be offered at the following issue price: the published NAV of a Krugerrand Custodial Certificate, as detailed in paragraph 14 of the Offering Circular, as at 9am on the day after the Closing Date of the Offer as published on RMB's website:

http://www.rmb.co.za/GlobalMarkets/weTrade_Commodities_Krugerrand_Custodial_Certificate.asp

None of the Krugerrand Custodial Certificates are secured and there are no other conditions applicable to the Offer other than as may be set out in this Prospectus.

A Subscriber will be allocated a fewer number, or none, of Krugerrand Custodial Certificates subscribed for as soon as the Maximum KCCs is reached.

Information about the Krugerrand Custodial Certificates, including the terms and conditions attaching to a Krugerrand Custodial Certificate, are attached as Appendix 1.

Applications for Krugerrand Custodial Certificates

Subscribers must complete and return the application form annexed to this Prospectus to the Company in accordance with the instructions set out therein.

The Company will issue KCCs to successful subscribers by no later than 10 days after the close of the Offer.

3.2. Previous issues of securities [Regulation 72(2) and 72(3) - Exemption granted - see p11]

4. MINIMUM SUBSCRIPTION [Regulation 73]

The purpose of the Offer is not to raise capital for the Issuer. As a result, the Offer is not subject to an aggregate minimum subscription.

5. RISK FACTORS

The table below sets out the risk factors in respect of the mechanics and nature of the KCCs offered (which is by no means an exhaustive list) and measures to be taken in mitigation thereof, to the extent that such risks can be mitigated:

	Risk and description	Mitigation
1.	<p><i>Market risks</i></p> <p>Market risk refers to the risks arising out of movements in the financial markets as they relate to the KCCs. KCCs derive their value primarily from two market rates: the gold price in Dollars and the Rand/Dollar exchange rate. Adverse movements in the Dollar price of gold and/or the Rand/Dollar exchange rate will affect the value of the KCCs.</p>	Market risk is an external factor beyond the control of the Company.
2.	<p><i>Trading risks</i></p> <p>KCCs are listed on the JSE and will trade according to supply and demand in the market. While the KCCs have a NAV that represents a theoretical fair price for the KCCs taking into account the factors that influence the price of the KCCs the actual price achieved on the JSE will be determined by market conditions, volumes traded, etc. The prices achieved on the JSE could vary from the NAV and the investor bears the risk of any market impact resulting from large volumes of KCCs being bought or sold. This deviation from NAV could result in the investor purchasing KCCs at a value above NAV or selling KCCs at a value below NAV.</p>	Trading risk is an external factor beyond the control of the Company.
3.	<p><i>Fabrication and Delivery risks</i></p> <p>Each KCC issued will be backed by a physical Krugerrand coin stored with the Custodian. When a KCC is issued, the Issuer will order the required Krugerrand coins from Rand Refinery. Depending on the size of the order, Rand Refinery may have to first fabricate the Krugerrand coins. Once the Krugerrand coins are fabricated, they have to be placed in the tamper proof packaging and numbered before being delivered to the Custodian.</p> <p>The holder of a Krugerrand Custodial Certificate whose Krugerrand Coin is in the process of being fabricated and/or placed in packaging and/or awaiting delivery to the Custodian at Rand Refinery assumes the following risks:</p> <ul style="list-style-type: none"> • that Rand Refinery may become insolvent, liquidated, cease to exist or be permanently unable to produce the Krugerrand Coins in question; • that the Krugerrand Coins are lost, destroyed or stolen while at Rand Refinery before they can be delivered to the Custodian; and • that the Krugerrand Coins are lost, stolen or destroyed in transit. 	<p>The risk of non-fabrication by Rand Refinery will be mitigated to some extent by the fact that Rand Refinery will credit the unallocated account of the Issuer with an amount of gold equal to the number of Krugerrand coins to be manufactured. Should any Holder have a proven and finalised claim against Rand Refinery, the Issuer will sell the gold in its unallocated account relating to the Krugerrand Custodial Certificates in question and pass the proceeds onto the affected Holder. Should Krugerrand coins that have been fabricated and/or packaged be lost, destroyed or stolen prior to delivery to the Custodian, the affected Holders will have recourse to Rand Refinery. Similarly, should a Krugerrand coin be lost or destroyed during transit, Holders will have recourse to the Custodian who provides the transport services. Because the Krugerrand coins are uniquely numbered and the owner of each Krugerrand coin or in the case of Krugerrand coins yet to be fabricated, the Holder of the right to receive the Allocated Krugerrand, can be specifically identified, any loss incurred will affect only the</p>

	Risk and description	Mitigation
		holder of the relevant Allocated Krugerrand.
4	<p><i>Storage risks</i></p> <p>The packaged Krugerrand Coins underlying each Krugerrand Custodial Certificate will be stored by the Custodian on behalf of the owners of the Allocated Krugerrand. Should a Krugerrand Coin, while in custody, be lost, stolen, destroyed or otherwise impacted, the owner of the Allocated Krugerrand will have a claim against the Custodian. However, to the extent that the Custodian is not liable for the loss, the owner of the Allocated Krugerrand will have to bear the loss.</p> <p>The Krugerrand Coins belong to the Holders. As such, in the unlikely event that the Custodian was to be liquidated or become insolvent, the Krugerrand Coins will not form part of the Custodian's assets – i.e. they will not form part of the insolvent estate. Alternative arrangements will be sought with another custodian, alternatively the normal delisting procedures will occur.</p>	<p>Physical access to the coins is limited to relevant staff of the Issuer and for legitimate purposes.</p> <p>The Issuer, as agent of the Holders, will have the power to instruct the Custodian as to the handling of the Krugerrand Coins. In acting as agent, the Issuer is limited by mandate:</p> <ul style="list-style-type: none"> • The Contract clearly sets out the scope of the Issuer's power as agent • Krugerrand Coins can only be removed on instruction of the Holder of the Allocated Krugerrand to the Issuer, who will then instruct the Custodian accordingly. The Issuer will not make decisions on behalf of Holders, but will only act on instruction from Holders.
5	<p><i>Allocation risks</i></p> <p>Ownership of a Krugerrand coin, as identified by the Allocation Algorithm administered by the Issuer in its capacity as Allocator, only passes to a purchaser of a KCC when the Allocation Algorithm assigns such Krugerrand coin to him (in conjunction with the relevant Delivery mechanism, being either actual Delivery to an agent of the Holder or constructive delivery via attornment).</p> <p>A Holder of a Krugerrand Custodial Certificate faces the risk that should the seller of a Krugerrand Custodial Certificate, whose Allocated Krugerrand was allocated to a purchaser of a Krugerrand Custodial Certificate, be declared insolvent or liquidated prior to the Delivery of that Krugerrand Coin to the Holder to whom it was allocated, and the liquidator then prevents the transfer of such Krugerrand Coin to the Holder, the loss will be for the account of the Holder.</p>	<p>The Issuer, in order to ensure timely balancing with STRATE and to maintain the integrity of the Krugerrand Custodial Certificates, will make good losses arising from the above mentioned fabrication and delivery, storage and allocation risks up to a cumulative limit of R3 million for any such losses covered during the life of the Krugerrand Custodial Certificates. The Issuer has the discretion, but not the obligation, to make good losses in excess of this limit should it deem it fit to do so.</p>
7	<p><i>Continuity risks</i></p> <p>The KCC is envisaged to be listed for three ten year periods, with each ten year period maturing so that investors who so wish may take physical delivery of their Allocated Krugerrands (investors owning a quantity of one thousand or more KCCs ("Block") may take delivery of the Block at any time). Notwithstanding this, it is possible that the KCCs may be delisted due to the following factors:</p> <p>1. a loss occurs (that is: Krugerrand coins are lost, stolen,</p>	<p>Should the KCCs be delisted, investors can opt to take physical delivery of their Allocated Krugerrands or instruct the Issuer to dispose of their Krugerrand coins on their behalf and receive a net cash amount (after deduction of costs) based on the relevant LBMA fix price as announced on SENS by the Issuer.</p>

	Risk and description	Mitigation
	<p>destroyed or an investor suffers a loss arising from the liquidation/insolvency of the seller of a Krugerrand coin or any other loss arising) that is beyond the Issuer's stated guarantee of a cumulative amount of R3 million and the Issuer opts not to increase this amount;</p> <ol style="list-style-type: none"> 2. the ability of the Custodian to continue storing Krugerrand coins on behalf of owners is diminished and no suitable replacement Custodian can be found which will satisfy the JSE and the Issuer; 3. the Issuer's internal risk assessment on the Custodian necessitates the delisting of the product; 4. the ability of Rand Refinery to produce Krugerrand coins is extinguished or diminished; or 5. any other prudent reason which would necessitate such delisting. 	<p>In the event that the KCC is delisted due to one or more Krugerrand coins being lost, destroyed, stolen etc., the owners of such Allocated Krugerrands will bear the loss directly. As each Krugerrand coin and its owner are uniquely identified, losses will not be shared proportionately amongst all holders, but will be borne by the owners of the Krugerrand coins so affected. The delisting of the KCC will not extinguish the rights of owners who have suffered a loss to claim compensation from the responsible party or from pursuing any claims that may arise.</p>

SECTION 3 – STATEMENTS AND REPORTS RELATING TO THE COMPANY [Regulation 56]

- 1. STATEMENT AS TO ADEQUACY OF CAPITAL** [Regulation 74 - Exemption granted - see p11]
- 2. REPORT OF DIRECTORS AS TO MATERIAL CHANGES** [Regulation 75- Exemption granted - see p11]
- 3. STATEMENT AS TO LISTING ON A STOCK EXCHANGE** [Regulation 76]

The Krugerrand Custodial Certificates are listed on the “Exchange Traded Funds” sector of the JSE under the abbreviated name and alpha code “KCCGLD” and ISIN Code ZAE000195830. They were listed with effect from the commencement of business on Monday, 10 November 2014.
- 4. REPORT BY THE AUDITOR WHERE BUSINESS UNDERTAKING TO BE ACQUIRED** [Regulation 77]

The Issuer does not intend to apply any funds received from the issue of the Offer in order to acquire any business undertaking.
- 5. REPORT BY THE AUDITOR WHERE COMPANY WILL ACQUIRE A SUBSIDIARY** [Regulation 78]

The Issuer does not intend to apply any funds received from the issue of the Offer in order to acquire a subsidiary.
- 6. REPORT BY THE AUDITOR OF THE COMPANY** [Regulation 79- Exemption granted - see p11]

SECTION 4 – ADDITIONAL MATERIAL INFORMATION [Regulation 56]

No additional disclosures are made.

SECTION 5 – INAPPLICABLE OR IMMATERIAL MATTERS [Regulation 56]

The following paragraphs of the Companies Regulations dealing with the requirements for a Prospectus are not applicable to this Prospectus (and an exemption has been granted by the CIPC for many of the paragraphs below as described on page 11):

54(2), 55, 57(2), 57(3)(b), 58(3)(a), 58(3)(c), 58(3)(d), 59(2)(a), 59(3)(a), 59(3)(b), 59(3)(c), 59(3)(d), 59(3)(e), 59(3)(f), 59(3)(f), 59(3)(g), 59(4), 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 72(2), 72(3), 73, 74, 75, 77, 78, 79, 80

By order of the Board

C Low
Company secretary
Duly authorised

[insert] October 2015

Registered office
4 Merchant Place
Cnr Rivonia Road and Fredman Drive
Sandton, 2146
(PO Box 786273 Benmore, 2010)

Offering Circular [Regulation 56 and 72]

The offer of Krugerrand Custodial Certificates does not constitute an “offer to the public” (as defined in the Companies Act, No. 71 of 2008 (as amended)) (“Companies Act”) and this Offering Circular does not, nor is it intended to, constitute a “registered prospectus” (as is defined in the Companies Act) prepared and registered under the South African Companies Act.

To the extent that Krugerrand Custodial Certificates are offered for subscription, such offer is made in terms of section 96(1)(b) of the Companies Act such that the total acquisition cost of the Krugerrand Custodial Certificates for any single addressee acting as principal is equal to or greater than ZAR 1 000 000.

Accordingly, any offer made in terms of this Offering Circular does not constitute an “offer to the public or any section of the public” within the meaning of the Companies Act.

PROSPECTIVE PURCHASERS OF ANY EXCHANGE TRADED FUNDS SHOULD ENSURE THAT THEY UNDERSTAND FULLY THE NATURE OF THE EXCHANGE TRADED FUND AND THE EXTENT OF THEIR EXPOSURE TO RISKS, AND THAT THEY CONSIDER THE SUITABILITY OF THE EXCHANGE TRADED FUND AS AN INVESTMENT IN THE LIGHT OF THEIR OWN CIRCUMSTANCES AND FINANCIAL POSITION

OFFERING CIRCULAR

For the listing of Krugerrand Custodial Certificates which is an Exchange Traded Fund created, listed and issued by FirstRand Bank Limited

The Krugerrand Custodial Certificates will be listed on the “Exchange Traded Funds” sector of the JSE under the abbreviated name and alpha code “KCCGLD” and ISIN Code ZAE000195830 with effect from the commencement of business on Monday, 10 November 2014 and traded on the JSE through any authorised user of the JSE.

The directors of FirstRand Bank Limited, whose names are set out in clause 16.4 of this Offering Circular, collectively and individually, accept full responsibility for the accuracy of information contained in this Offering Circular and certify that, to the best of their knowledge and belief, no facts have been omitted, the omission of which would make any statement false or misleading, that they have made all reasonable enquiries to ascertain such facts and that the Offering Circular contains all information required by law and the JSE Listings Requirements.

The JSE’s approval of the listing of the Krugerrand Custodial Certificates is not to be taken in any way as an indication of the merits of an ETF or of the Krugerrand Custodial Certificates. The JSE has not verified the accuracy and truth of the contents of this Offering Circular and, to the extent permitted by law, will not be liable for any claim of whatever kind. Claims against the JSE Guarantee Fund may only be made in respect of trading in Krugerrand Custodial Certificates on the JSE and in accordance with the terms of the rules of the Guarantee Fund and can in no way relate to the issue of Krugerrand Custodial Certificates.

The Merchant Bank, Sponsor, Market Maker and Attorneys have consented in writing to act in the capacity stated and to their names being included in this Offering Circular and have not withdrawn their consent prior to the publication of this Offering Circular.

Any prospective investor with questions in relation to the Krugerrand Custodial Certificates is invited to contact Ebrahim Patel on +27 011 282 1275. Queries may also be directed by email to ebrahim.patel@rmb.co.za.

An abridged version of this Offering Circular was published in the press and released on the Stock Exchange News Service of the JSE on Monday, 10 November 2014.

Date of issue: 21 October 2014



Merchant Bank, Sponsor and Market Maker

Attorneys

CORPORATE INFORMATION

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(PO Box 786273, Sandton, 2146)
*Incorporated in the Republic of South Africa on
11 January 1929*

Merchant Bank, Sponsor and Market Maker

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This Offering Circular is available in English only. Copies may be obtained from the registered office of the Market Maker and the Transfer Secretaries at the addresses set out above.

TABLE OF CONTENTS

	Page
INTERPRETATION AND DEFINITIONS	35
INTRODUCTION TO KRUGERRAND CUSTODIAL CERTIFICATES	39
1. Introduction	39
2. The underlying assets of the Krugerrand Custodial Certificates	39
3. Structure of the Krugerrand Custodial Certificates	40
4. Krugerrand Custodial Certificates fee structure	40
5. Safe custody of the Krugerrand Coins	41
6. Legal nature of the Krugerrand Custodial Certificates	41
7. Allocation and Delivery of the Allocated Krugerrand	42
8. Collection of Krugerrand Coins	42
9. Issuer's election and reset mechanism	43
10. Reconciliation of records	43
11. Procedure in the event of mismatches	43
12. Delisting procedure	44
13. Calculation of NAV	44
14. Associated Risks of Investing in Krugerrand Custodial Certificates	45
15. Regulatory Considerations in respect of the Krugerrand Custodial Certificates	47
16. The Issuer	50
ANNEXURE I	56
TERMS AND CONDITIONS ATTACHING TO A KRUGERRAND CUSTODIAL CERTIFICATE	56
1. Interpretation	56
2. Introduction	58
3. Tripartite agreement	59
4. Legal nature of Krugerrand Custodial Certificates	59
5. Matching on JSE does not result in transfer of ownership in respect of the Allocated Krugerrand	59
6. Market Maker's acquiring of Krugerrand Custodial Certificates in the secondary market	59
7. Custodial arrangements	59
8. Market value of this Krugerrand Custodial Certificate	60
9. Allocation and Delivery of the Allocated Krugerrand	60
10. Procedure and cession of rights in circumstances where Krugerrands have not yet been manufactured or have been manufactured but not Delivered to the Custodian	61
11. Reconciliation of records	63
12. Procedure in the event of mismatches	63
13. Losses and Delisting of all Krugerrand Custodial Certificates	63
14. Collection of Krugerrands	64
15. Issuer's election and reset mechanism	65

16.	Breach	65
17.	Protection of personal information	65
18.	Responsibilities, Acknowledgements and Undertaking of the Holder	66
19.	Limitation of Liability	66
20.	Issuer's right of cession	67
21.	Other terms and conditions	67

INTERPRETATION AND DEFINITIONS

In this Offering Circular and the annexures hereto, unless the context indicates otherwise, the words in the first column shall have the meanings assigned to them in the second column, the singular includes the plural and vice versa, an expression which denotes one gender includes the other genders, a natural person includes a juristic person and vice versa, and cognate expressions shall bear corresponding meanings.

To the extent that there is a conflict between Offering Circular and the clauses in the Contract, the clauses in the Contract shall prevail.

“Allocated Krugerrand/s” or “Krugerrand Coin/s”	a specific one ounce fine gold Krugerrand coin with a standard mass of approximately 33,965 grams as referred to in Schedule 2 to the South African Reserve Bank Act 90 of 1986, identified by its Unique Number, to be allocated by the Allocator to a Holder through the application of the Allocation Algorithm;
“Allocation Algorithm”	the bespoke algorithm-based allocation system that will be used by the Allocator to identify the Krugerrand to be Delivered to the Holder;
“Allocator”	the Issuer, acting as allocator of Krugerrand Coins as set out in clause 9.3 of the Contract;
“AM”	before noon;
“Block”	a quantity of 1 000 (one thousand) or more Krugerrand Custodial Certificates;
“Business Day”	a day other than a Saturday, Sunday or an official public holiday in the Republic of South Africa;
“CISCA”	the Collective Investment Schemes Control Act 45 of 2002 or any successor Act that may repeal and replace CISCA;
“Collection Conditions”	(i) providing to the Issuer a Collection Notice (by hand, by e-mail, by facsimile, by registered post or in such other manner as the Issuer may authorize from time to time), together with the statements evidencing the title of the Holder of the relevant Krugerrand Custodial Certificates, and (ii) the Holder giving such instructions as are required by the Issuer for the delisting and cancellation thereof;
“Collection Date”	the date of actual receipt of a Collection Notice by the Issuer, provided that the Collection Notice is received during JSE trading hours on a Trading Day. If the Collection Notice is actually received on a day not being a Trading Day, or after close of JSE trading hours on any Trading Day, then the Collection Notice shall be deemed to have been received on the next Trading Day;
“Collection Notice”	a written notice (in the prescribed format required by the Issuer from time to time, available from the Issuer on request), delivered by the Holder to the Issuer, requiring the Issuer to instruct the Custodian to permit the Holder to collect and take physical possession of Allocated Krugerrands comprised of a Block (or such lesser number of Allocated Krugerrands as the Issuer may in its discretion allow) owned by the Holder (and for the avoidance of doubt, reflected in the most recent Ownership Register and actually held by the Custodian), once, inter

	<p>alia, the delisting and cancellation of the relevant number of Krugerrand Custodial Certificates owned by the Holder has been effected;</p>
“Collection” or “Collect”	<p>the collection of an Allocated Krugerrand by the Holder from the Custodian following on from the delisting and surrender of the Holder’s Krugerrand Custodial Certificate;</p>
“Contract”	<p>the contract setting out the terms and conditions pursuant to which the right to Delivery in respect of a Krugerrand (which upon such Delivery becomes the Allocated Krugerrand) is bought and sold. A full copy of the Contract terms and conditions is set out in Annexure I to this Offering Circular;</p>
“Custodial Agreement”	<p>the custodial agreement entered into between the Issuer and the Custodian in terms of which the Custodian undertakes to hold Krugerrand Coins in custody for Holders, and to give effect to the Delivery thereof and the Collection thereof, on instructions from the Issuer;</p>
“Custodian”	<p>the custodian that will hold the Allocated Krugerrand, being Brink’s Southern Africa (Proprietary) Limited, registration number 1996/004662/07), or such other additional custodian as the Issuer may appoint from time to time;</p>
“Delivery” and “Delivered”	<p>the delivery of a Krugerrand to effect transfer of ownership thereof from the party delivering the Krugerrand to the party receiving it. In respect of the initial delivery (i.e. the first delivery after the manufacture of the Krugerrand by Rand Refinery), by Rand Refinery (as agent of the Issuer) to the Custodian (as agent for a Holder who is entitled to receive delivery and whose name, in respect of such delivery appears in the most recent Ownership Register), delivery is in the form of an actual delivery of the Krugerrand. In respect of further deliveries (once the Krugerrand is in the custody of the Custodian), delivery is in the form of attornment, where the Custodian will, on instructions from the Allocator, duly authorized by the transferor and the transferee, cease to hold the Krugerrand for the transferor and commence holding the Krugerrand on behalf of the transferee;</p>
“ETF”	<p>an exchange traded fund, being an open-ended fund listed on a stock exchange and traded like an ordinary share, enabling investors to gain exposure to an Index or a specific group of assets through the purchase of one security;</p>
“Exchange Control Regulations”	<p>the exchange control regulations, promulgated in terms of the Currency and Exchanges Act 9 of 1933, as amended from time to time;</p>
“FirstRand Limited”	<p>FirstRand Limited (registration number 1966/010753/06), a public company duly registered and incorporated with limited liability in accordance with the company laws of South Africa, the shares of which are listed on Main Board of the JSE;</p>
“FirstRand Bank”	<p>FirstRand Bank Limited (registration number 1929/001225/06) a public company duly registered and incorporated with limited liability in accordance with the company laws of South Africa and a wholly-owned subsidiary of FirstRand Limited;</p>

“FM Act”	the Financial Markets Act 19 of 2012, as amended from time to time;
“Holder”	the person registered from time to time in the Security Register as a registered Holder of a Krugerrand Custodial Certificate;
“Income Tax Act”	the Income Tax Act 58 of 1962, as amended from time to time;
“Investor”	an Investor who applies to purchase Krugerrand Custodial Certificates on the basis described in this Offering Circular;
“Issuer” or “FirstRand”	FirstRand Bank acting through its Rand Merchant Bank division;
“JSE Listings Requirements”	the listings requirements of the JSE, as amended and updated from time to time;
“JSE”	the Johannesburg Stock Exchange being the exchange operated by The JSE Limited, (Registration number 2005/022939/06), a public company incorporated in South Africa;
“Krugerrand Custodial Certificate” or “KCC”	a Krugerrand Custodial Certificate, created, listed and issued by the Issuer, in terms of which the Holder acquires (i) the right to Delivery of a specific Krugerrand, identified by its Unique Number, allocated to the Holder by the Allocator through the application of the Allocation Algorithm and (ii) the right to sell the right to Delivery of a specific Krugerrand;
“Krugerrand Index”	the index pursuant to which the NAV of a Krugerrand Custodial Certificate will be determined in accordance with the formula set out clause 13 of this Offering Circular;
“LBMA”	the London Bullion Market Association
“Market Maker”	FirstRand Bank, acting through its Rand Merchant Bank division;
“Maturity Date”	means [], being the date upon which Krugerrand Custodial Certificates issued by the Issuer in terms of the Contract and this Offering Circular will mature, and the Holders will be entitled, subject to the provisions of clause 14 of the Contract, to Collect their Krugerrand Coins from the Custodian or, alternatively, elect that the Issuer dispose of their Krugerrands on their behalf as contemplated in clause 14.4 of the Contract;
“NAV”	the net asset value of a Krugerrand Custodial Certificate which will be published on the website of the Issuer on a daily basis, as required by the JSE Listings Requirements and set out in paragraph 16.9 of this Offering Circular;
“Offering Circular” or “this Offering Circular”	this Offering Circular relating to the listing and issuance of Krugerrand Custodial Certificates dated 21 October 2014;
“Ownership Register”	the register of Holders and their Allocated Krugerrands, maintained by the Issuer;
“PM”	after noon;
“Rand Refinery”	Rand Refinery Limited, (Registration number 1920/006598/06), a

	public company incorporated in South Africa, or its successor in title;
“Security Register”	the register of owners of Krugerrand Custodial Certificates maintained by STRATE, in terms of the FM Act and STRATE’s rules and procedures, as evidenced from time to time by a weekly download thereof, known as the “BND Download”;
“SENS”	the Stock Exchange News Service of the JSE;
“STRATE”	Strate Limited, (Registration number 1998/022242/06), a public company incorporated in South Africa, or its successor in title;
“T + X”	<p>refers to a specified number of days after the date on which a Krugerrand Custodial Certificate is purchased on the JSE where:</p> <ul style="list-style-type: none"> • “T” denotes the date of the purchase; and • “X” denotes the number of days following the date of the purchase;
“Trading Day”	a day on which trading of Krugerrand Custodial Certificates may take place on the JSE;
“Unique Number”	a unique number allocated to each Krugerrand subject to the Contract, and linked to the Krugerrand by placing the Krugerrand in tamperproof plastic packaging which has the unique number affixed to it; and
“ZAR”	the South African rand, being the currency of South Africa.

This Offering Circular is to be read in conjunction with the terms and conditions contained in the Contract set out in Annexure 1 to this Offering Circular.

1. Introduction

FirstRand has undertaken an initiative to create, list and issue a Krugerrand instrument which proposes to be the first bullion coin backed physically redeemable instrument in South Africa that will allow Investors to take possession of the Krugerrand on expiry, or earlier, if redeeming a Block.

Securities issued in terms of the Krugerrand instrument will be known as “Krugerrand Custodial Certificates”. The structure of the Krugerrand product embodies key features of an ETF. These features are enhanced by a more direct ownership structure, no annual management fees charged by the Issuer, a transparent storage cost payable to the Custodian, greater contractual governance and physical redemption with the option for cash.

The Krugerrand Custodial Certificates will be listed in the “Exchange Traded Funds” sector of the JSE under the abbreviated name and alpha code “KCCGLD” and ISIN Code ZAE000195830 with effect from the commencement of business on Monday, 10 November 2014 and traded on the JSE through any authorised user of the JSE.

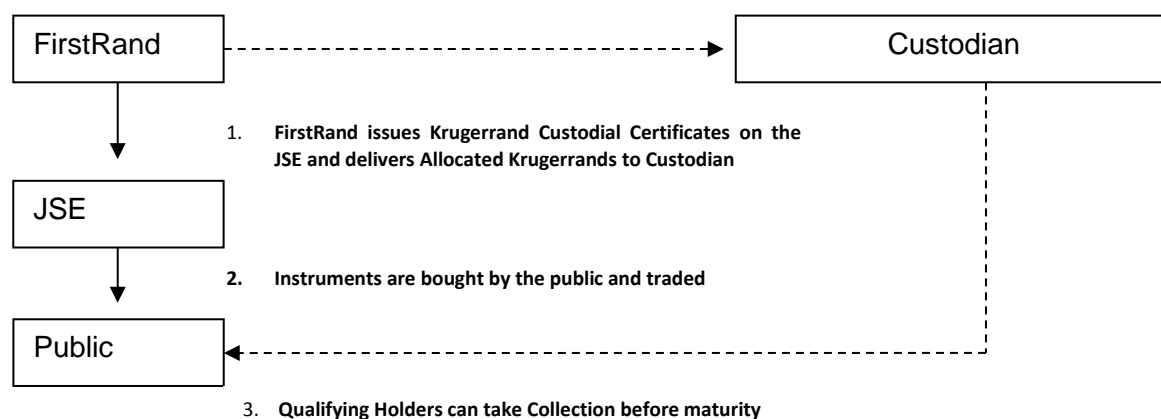
As listed securities, Krugerrand Custodial Certificates are bought and sold on the JSE through a JSE authorised user with FirstRand acting as Market Maker.

The market price of Krugerrand Custodial Certificates at any given time will be subject to market forces. The market value of a Krugerrand Custodial Certificate may be affected by supply and demand and other market factors, but the ability of a Holder of a Block to delist and surrender Krugerrand Custodial Certificates by exercising his right to Collect his Allocated Krugerrand, should operate substantially to avoid or minimise any differentials which may otherwise arise between the relevant Krugerrand price (calculated by using the Krugerrand Index) and the value at which the Krugerrand Custodial Certificates trade on the JSE from time to time.

2. The underlying assets of the Krugerrand Custodial Certificates

The assets underlying the Krugerrand Custodial Certificates will be Allocated Krugerrand Coins that are packaged in tamper proof packing and uniquely numbered which allows the Holder direct ownership of a 1oz Krugerrand coin sourced from Rand Refinery. Therefore every Holder will own a specifically numbered Krugerrand Coin that will belong to him. The Ownership Register will be maintained by the Issuer as proof of such ownership. STRATE will provide a BND download to the Issuer on a weekly basis and the Ownership Register will be updated based on the information contained in the BND download. The tamper proof packaging will be sourced by Rand Refinery from Certiline, based in Italy, or such other packaging as approved by the Issuer.

3. Structure of the Krugerrand Custodial Certificates



Krugerrand Custodial Certificates constitute a right for the Holder thereof to receive Delivery and ownership of a Krugerrand Coin and entitle the Holder to obtain physical possession thereof by Collecting the Krugerrand Coin, subject to the terms and conditions outlined in clause 14 of the Contract. The Holder will therefore acquire ownership of an Allocated Krugerrand and not merely a personal right to receive a Krugerrand Coin. The Holder will also own a specific Krugerrand, and not be a joint owner of a pool of Krugerrands.

The Issuer will, as soon as it has issued Krugerrand Custodial Certificates, enter into a contract with Rand Refinery for the manufacture of the required Krugerrand Coins. Such Krugerrand Coins, once manufactured, will be delivered to the Custodian to be held in custody for the Holders of the Krugerrand Custodial Certificates.

The detailed mechanics of the structure are as follows:

Upon the creation of Krugerrand Custodial Certificates, RMB will order the corresponding number of Krugerrand coins from Rand Refinery ($t=1$). On $t=2$ / $t=3$ RMB will pay over to Rand Refinery the purchase consideration and send proof of payment to the JSE. At this point, the funds paid by the Investor have been put to use to buy the Krugerrand coin that the Investor requires. The Investor thus takes no risk on the Issuer. RMB is only settled at $t=5$ after RMB has paid Rand Refinery, therefore the Investor takes no credit risk on RMB. If RMB does not pay Rand Refinery, then RMB does not get settled by the JSE. Therefore, up until this point the Investor is at no risk and the KCC is fully covered.

Once RMB pays the purchase price to Rand Refinery, Rand Refinery will credit RMB's unallocated account with an equivalent amount of unwrought gold. RMB will open a separate unallocated account at Rand Refinery to facilitate this, therefore, the investor is always covered with unwrought gold or Krugerrand coins. Rand Refinery will utilise this gold to produce the Krugerrand coins. Should Rand Refinery not be able to produce the Krugerrand coins, then RMB will sell the gold remaining in the unallocated account and distribute the proceeds to Investors as per the Terms and Conditions attached to this Offering Circular. Any Krugerrands that are complete and unnumbered will also be sold and proceeds distributed to Investors as per the terms and Conditions attached to this Offering Circular. Krugerrand coins that are already produced and numbered will be delivered to the owners thereof or bought from them (at their election).

4. Krugerrand Custodial Certificates fee structure

The purchase price payable for a Krugerrand Custodial Certificate is the prevailing market price at which Krugerrand Custodial Certificates trade on the JSE from time to time and there are no annual management fees payable to the Issuer. The Issuer undertakes to pay the custody fee to the Custodian.

The Issuer may charge a creation fee of up to 15 basis points plus VAT on all new issues of Krugerrand Custodial Certificates and a redemption fee of up to 15 basis points plus VAT on all redemptions of Krugerrand Custodial Certificates, whether the Krugerrand coins are collected, or a cash settlement takes place as set out hereinafter.

Since there are no management fees payable to the Issuer and the storage fee is payable by the Issuer to the Custodian, there is no requirement to liquidate gold holdings to pay costs (other than in respect of redemption fees, as set out above). Unlike traditional South African gold ETFs which sell a portion of the investor's gold holdings annually in order to pay costs, this does not apply to a Krugerrand Custodial Certificate. Therefore, in a traditional South African ETF the investor's actual gold holdings decrease annually in ounces. In the instance of the Krugerrand Custodial Certificate, an Investor will always own a 1oz Krugerrand Coin per Krugerrand Custodial Certificate unit.

5. Safe custody of the Krugerrand Coins

The Allocated Krugerrands will be kept in custody by the Custodian on the Holder's behalf. The Issuer has appointed the Custodian to exercise custody over the Allocated Krugerrands. The Custodian is a renowned global bullion logistics and storage provider. The Custodian will insure the Krugerrand Coins in terms of its usual storage criteria.

The custody cost of the Krugerrand Coins has been negotiated at a fixed percentage amount for ten years, allowing competitive storage rates. If the Krugerrand Custodial Certificate is extended (as explained in the following clause) a new ten year safe custody rate will be negotiated. The Issuer has the obligation to pay the Custodian for providing storage services to the Holder. The Issuer will utilise its own funds to pay the storage fees, including but not limited to, a portion of the proceeds from the issue of Krugerrand Custodial Certificates.

To ensure that the storage fees are paid timeously by the Issuer and that a Holder of Krugerrand Coins will not be affected by any lien in favour of the Custodian the following procedures have been put in place:

1. if the storage fees have not been paid within 14 days on the due date, the Custodian will notify the JSE. The JSE will then instruct the Issuer to rectify within 7 days, failing which suspension and normal delisting procedures will apply; and
2. a 2 month rolling storage buffer, instituted on each new issue and adjusted in line with the latest monthly storage fee will be paid by the Issuer to the Custodian to allow for a 2 month credit with the Custodian in respect of storage fees at all times.

The Custodian will keep the Krugerrand Coins in custody for a period of ten years and 3 months from the date of listing of the first Krugerrand Custodial Certificate, where after the Krugerrand Custodial Certificates may be extended or, alternatively, delisting will occur and the Holder will be entitled to comply with the Collection Conditions and Collect his Allocated Krugerrands from the Custodian or opt for cash settlement.

6. Legal nature of the Krugerrand Custodial Certificates

The underlying asset of the Krugerrand Custodial Certificates i.e. the Krugerrand Coin, is legal tender. Investors will, by purchasing a Krugerrand Custodial Certificate, automatically become a party to the Contract between the Issuer, all Holders (who, depending on the capacity they act in from time to time, may be either purchasers or sellers of the right to Delivery of a Krugerrand) and the Custodian. The full terms and conditions of the Contract are set out in Annexure I of this Offering Circular.

The Krugerrand Custodial Certificate represents the legal mechanism pursuant to which the right to obtain acquisition of ownership by Delivery of a Krugerrand, identified by its Unique Number, to be allocated by the Allocator through the application of the Allocation Algorithm, will be bought and sold on the JSE.

The Holder of a Krugerrand Custodial Certificate will be entitled during the term of the Krugerrand Custodial Certificate (if at least a Block is being redeemed, as set out in clause 8 below) and obliged on the

Maturity Date (unless the Krugerrand Custodial Certificate is extended and the Holder elects to remain invested or the Holder opts for cash settlement) to Collect his Allocated Krugerrand from the Custodian, subject to the terms and conditions set out in the Contract.

The right of the Holder to delist and surrender his Krugerrand Custodial Certificate and Collect his Allocated Krugerrand is subject to compliance with the Collection Conditions and procedures set out in clause 14 of the Contract.

7. Allocation and Delivery of the Allocated Krugerrand

By purchasing a Krugerrand Custodial Certificate on the JSE, the Holder acquires the right to obtain Delivery of a specific Krugerrand to be determined and allocated by the Allocator through the application of the Allocation Algorithm.

The Allocator will on a regular weekly basis obtain the BND Download/Securities Register, and based thereon apply the Allocation Algorithm to determine which particular Krugerrand shall be Delivered to a new Holder.

The objective of the Contract is to ensure that ownership of the Krugerrand Delivered to the Holder will pass from the seller thereof to a purchaser of a Krugerrand Custodial Certificate when the Allocation Algorithm is applied.

The owner of a particular Krugerrand at any point in time will be the individual reflected in the most up-to-date Ownership Register delivered to and held by the Custodian.

The full terms surrounding the Allocation and Delivery of the Allocated Krugerrand are set out in clauses 9 and 10 of the Contract.

8. Collection of Krugerrand Coins

For administrative purposes and good governance, Holders may not redeem Krugerrand Custodial Certificates in respect of less than 1,000 Krugerrand Coins at any time. At the same time, Holders need to be able to access their Krugerrand Coins within a reasonable time period. For this reason, Holders need a “redemption window” for smaller numbers of Krugerrand Coins. The redemption window will occur on the Maturity Date.

During the term of the Krugerrand Custodial Certificates and subject to the fulfilment of the Collection Conditions, the Issuer shall use its reasonable commercial endeavours within 5 (five) Trading Days of receipt of the Collection Notice to instruct the Custodian to allow Collection by a Holder of his Allocated Krugerrands, to which the relevant Collection Notice relates, unless reasonable delays are unavoidable.

The Holder shall be bound to surrender to the Issuer, or its agent, as the Issuer may require, all the Krugerrand Custodial Certificates in respect of which that Holder is issuing a Collection Notice, in order that same may be delisted and cancelled or, in the event that Krugerrand Custodial Certificates are dematerialised, take such steps as may be necessary for the records of STRATE to reflect that the Holder has surrendered his Krugerrand Custodial Certificates to the Issuer in order that same may be delisted and cancelled. A redemption fee of up to 15 basis point plus VAT (as determined by the Issuer) is payable on redemption.

As set out in clause 14.4 of the Contract, the Issuer may decide, in its absolute discretion, in lieu of delivery to the Holder of Krugerrand Coins, upon receipt by the Issuer of a completed and executed Collection Notice relating to the Block of Krugerrand Custodial Certificates, to pay an amount of cash equal to the value of the Krugerrand Custodial Certificates comprising the surrendered Block, less any reasonable costs incurred by the Issuer (including costs incurred by the Issuer, should it be the purchaser of the Krugerrand coins, in subsequently disposing of them), to the Holder. In such circumstances, the Issuer will be deemed to have purchased the Krugerrand Custodial Certificate in question. Ownership in respect of such Allocated Krugerrands will accordingly pass from the Holder to the Issuer.

The full terms relating to the Collection of Krugerrand Coins are contained in clause 14 of the Contract.

9. Issuer's election and reset mechanism

The terms relating to the Issuer's election and reset mechanism are contained in clause 15 of the Contract.

The following principles for the "reset" methodology will apply:

- Should the Issuer elect to reset the Krugerrand Custodial Certificates, Holders will, on the Maturity Date, be given the option to roll their current Krugerrand Custodial Certificates into a new Krugerrand Custodial Certificates programme.
- The offer mechanism will, in principle, consist of a ratio of the existing holdings for new holdings as well as a cash portion payable to the Holder. The storage fee for the new extended Krugerrand Custodial Certificates will be funded by the sale of a determined portion of each Holder's Allocated Krugerrands, and any excess proceeds will constitute the cash portion of the offer mechanism. Details of the reset mechanism will be published at the relevant time and Holders will be informed via SENS of the details of the reset mechanism.
- If Holders elect to roll over their Krugerrand Custodial Certificates into a new Krugerrand Custodial Certificate programme, Allocated Krugerrands that they hold at the relevant time will be re-allocated to them by the Allocator, such that they shall not dispose of Allocated Krugerrands other than those required to cover storage fees.
- Storage for the next ten year period will be agreed by the Issuer with the Custodian prior to the start of the next ten year period. This fee will be calculated off the LBMA fix specified by the Issuer on a date to be determined on a per coin basis for ten years. Each Holder will then have to pay a ZAR amount to cover their storage for the next ten year period. The Issuer will then sell, on behalf of the Holder, the relevant number of coins acquired to cover the storage fee for the remaining coins. Any surplus ZAR will be returned to Holders.

10. Reconciliation of records

The records of the Issuer, the Allocator and the Custodian will be reconciled with those of STRATE on a daily basis to ensure that the number of Krugerrand Custodial Certificates in issue correspond to the number of Allocated Krugerrands as well as those Krugerrands which are in process of being manufactured or which have been manufactured and are awaiting delivery to the Custodian.

11. Procedure in the event of mismatches

Should there be a mismatch between the records of STRATE and the Custodian, as a result of Krugerrand Coins which should be held by the Custodian being unaccounted for, the Custodian will relay the following information to the Issuer:

- the number of Krugerrand Coins unaccounted for; and
- the Unique Numbers of the unaccounted Krugerrand Coins.

Upon receipt of this information, the Issuer will assess the quantum of the loss.

If the entire loss (including losses arising in the circumstances set out in clause 14.6 hereof) is less than R3 million (Three Million Rand) calculated cumulatively over any previous losses covered by the Issuer as set out in clause 13 of the Contract, then the Issuer will replace the unaccounted Krugerrand Coins, thereby bringing the records of the Custodian and STRATE in balance again.

A confirmation by the Issuer that it will replace the unaccounted Krugerrand Coins will be regarded as sufficient for the Custodian's and STRATE's records to be deemed to be in balance. The JSE will receive a

copy of the proof of payment as well as the receipt once the physical Krugerrand Coin has been bought and delivered.

The Issuer will have the discretion, but not the obligation, to cover losses in excess of R3 million (Three Million Rand), as set out in clause 13 of the Contract.

If the loss is within the R3 million RMB limit, then RMB will replace the Krugerrand coin.

Investors will at any point know the balance of the R3 million threshold still in place by any of the following means:

1. When a loss is covered out of the R3 million limit a SENS announcement will be issued announcing the loss covered and balance remaining.
2. Investors can contact the Issuer for confirmation of the balance remaining on the loss threshold.

All Krugerrand coins stored at the Custodian are fully insured by the Custodian and any loss suffered by an Investor with regards to coins stored at the Custodian or in transit with the Custodian will be made good by the Custodian up to any value as per the standard insurance terms and conditions that apply to all storage arrangements. In terms of the Custodian's liability towards Investors, all losses are fully insured and recoverable by Investors. All claims arising therefrom will be settled in ZAR.

12. Delisting procedure

The delisting of the Krugerrand Custodial Certificates can be triggered by any of the loss events mentioned above, or should the Issuer determine that it is in its or the Holder's interests to do so. In the event of delisting, the Krugerrand Custodial Certificates will be suspended and the final BND download and Krugerrand Coin allocation finalised to determine the Holders of Krugerrand Custodial Certificates and Krugerrand Coins.

Upon delisting, Holders will have to take physical delivery of their Krugerrand Coins, but will have the option of cash settlement. Should cash settlement be elected, the Issuer will (as agent of the Holder) sell the Holder's Allocated Krugerrands, on a date determined by the Issuer, at a price not less than the bullion value of the Krugerrand Coins as per clause 14.4 of the Contract, at the LBMA AM fix, or PM fix, on the date of the sale, as determined by the Issuer to be appropriate for the time of the sale, and pay the proceeds less and necessary and reasonable costs, (including costs incurred by the Issuer, should it be the purchaser of the Krugerrand Coins, in subsequently disposing of them) to the Holder. Should there be any expenses associated with the delisting then the process to be undertaken in the reset procedures after ten years will apply. That is, a portion of the Holder's Krugerrand Coins will be sold to cover the costs and the remaining Krugerrand Coins and cash proceeds returned to the Holder.

13. Calculation of NAV

The calculation of the NAV will be as follows:

$$NAV = \frac{S_{XAUUSD} \cdot S_{USDZAR} (1 + NP + C \cdot T)}{365}$$

365

Where

S_{XAUUSD} = the Reuters price of gold in dollars obtained using the code Ric: XAU=

S_{USDZAR} = the Reuters Dollar/Rand exchange rate using Ric: ZAR =

NP = numismatic premium, being 4% at the time of listing. The NP reflects both the cost of obtaining Krugerrand Coins from Rand Refinery and a trading margin earned by the Issuer on initial issue of Krugerrand Custodial Certificates.

C = cost of storage, as a fixed percentage per annum, being 22.8 bps per annum (including VAT).

T = time (measured in days) from value day to the Maturity Date.

The ticker code for the gold price input for the Krugerrand Custodial Certificates NAV calculation is Reuters RIC: XAU=.

14. Associated Risks of Investing in Krugerrand Custodial Certificates

The mechanics and nature of the underlying assets of the Krugerrand Custodial Certificate give rise to the following risks:

14.1 Market risks

Market risk refers to the risks arising out of movements in the financial markets as they relate to the Krugerrand Custodial Certificates. Krugerrand Custodial Certificates derive their value primarily from two market rates: the gold price in Dollars and the Rand/Dollar exchange rate. Adverse movements in the Dollar price of gold and/or the Rand/Dollar exchange rate will affect the value of the Krugerrand Custodial Certificates.

14.2 Trading risks

Krugerrand Custodial Certificates are listed on the JSE and will trade according to supply and demand in the market. While the Krugerrand Custodial Certificates have a NAV that represents a theoretical fair price for the Krugerrand Custodial Certificates taking into account the factors that influence the price of the Krugerrand Custodial Certificates, the actual price achieved on the JSE will be determined by market conditions, volumes traded, etc. The prices achieved on the JSE could vary from the NAV and the Investor bears the risk of any market impact resulting from large volumes of Krugerrand Custodial Certificates being bought or sold. This deviation from NAV could result in the Investor purchasing Krugerrand Custodial Certificates at a value above NAV or selling Krugerrand Custodial Certificates at a value below NAV.

14.3 Fabrication and Delivery risks

Each Krugerrand Custodial Certificate issued will be backed by a physical Krugerrand Coin stored with the Custodian. When a Krugerrand Custodial Certificate is issued, the Issuer will order the required Krugerrand Coins from Rand Refinery. Depending on the size of the order, Rand Refinery may have to first fabricate the Krugerrand Coins. Once the Krugerrand Coins are fabricated, they have to be placed in the tamper proof packaging and numbered before being delivered to the Custodian.

The holder of a Krugerrand Custodial Certificate whose Krugerrand Coin is in the process of being fabricated and/or placed in packaging and/or awaiting delivery to the Custodian at Rand Refinery assumes the following risks:

- that Rand Refinery may become insolvent, liquidated, cease to exist or be permanently unable to produce the Krugerrand Coins in question;
- that the Krugerrand Coins are lost, destroyed or stolen while at Rand Refinery before they can be delivered to the Custodian;
- that the Krugerrand Coins are lost, stolen or destroyed in transit.

The risk of non-fabrication by Rand Refinery will be mitigated to some extent by the fact that Rand Refinery will credit the unallocated account of the Issuer with an amount of gold equal to the number of Krugerrand Coins to be manufactured. Should any Holder have a proven and finalised claim against Rand Refinery, the Issuer will sell the gold in its unallocated account relating to the Krugerrand Custodial Certificates in question and pass the proceeds onto the affected Holder. Should Krugerrand Coins that have been fabricated and/or packaged be lost, destroyed or stolen prior to delivery to the Custodian, the affected Holders will have recourse to Rand Refinery. Similarly, should a Krugerrand Coin be lost or destroyed during transit, Holders will have recourse to the Custodian who provides the transport services.

Because the Krugerrand Coins are uniquely numbered and the owner of each Krugerrand Coin or in the case of Krugerrand Coins yet to be fabricated, the Holder of the right to receive the Allocated Krugerrand, can be specifically identified, any loss incurred will affect only the holder of the relevant Allocated Krugerrand.

14.4 Storage risks

The packaged Krugerrand Coins underlying each Krugerrand Custodial Certificate will be stored by the Custodian on behalf of the owners of the Allocated Krugerrand. Should a Krugerrand Coin, while in custody, be lost, stolen, destroyed or otherwise impacted, the owner of the Allocated Krugerrand will have a claim against the Custodian. However, to the extent that the Custodian is not liable for the loss, the owner of the Allocated Krugerrand will have to bear the loss.

Krugerrand Coins can only be removed from custody on instruction of the Holder of the Allocated Krugerrand to the Issuer, who will then instruct the Custodian accordingly. The Issuer, will not make decisions on behalf of Holders, but will only act on instruction from Holders, or in accordance with its powers in terms of the Contract.

The Krugerrand Coins belong to the Holders. As such, in the unlikely event that the Custodian was to be liquidated or become insolvent, the Krugerrand Coins will not form part of the Custodian's assets – i.e. they will not form part of the insolvent estate. Alternative arrangements will be sought with another custodian, alternatively the normal delisting procedures outlined in clause 12 above will occur.

The Issuer, as agent of the Holders, will have the power to instruct The Custodian as to the handling of the Krugerrand Coins. In acting as agent, the Issuer is limited by mandate:

- The Contract clearly sets out the scope of the Issuer's power as agent.
- Krugerrand Coins can only be removed on instruction of the Holder of the Allocated Krugerrand to the Issuer, who will then instruct the Custodian accordingly. The Issuer will not make decisions on behalf of Holders, but will only act on instruction from Holders.

Physical access to the coins is limited to relevant staff of the Issuer and for legitimate purposes.

14.5 Allocation risks

Ownership of a Krugerrand Coin, as identified by the Allocation Algorithm administered by the Issuer in its capacity as Allocator, only passes to a purchaser of a Krugerrand Custodial Certificate when the Allocation Algorithm assigns such Krugerrand Coin to him (in conjunction with the relevant Delivery mechanism, being either actual Delivery to an agent of the Holder or constructive delivery via attornment).

A Holder of a Krugerrand Custodial Certificate faces the risk that should the seller of a Krugerrand Custodial Certificate, whose Allocated Krugerrand was allocated to a purchaser of a Krugerrand Custodial Certificate, be declared insolvent or liquidated prior to the Delivery of that Krugerrand Coin to the Holder to whom it was allocated, and the liquidator then prevents the transfer of such Krugerrand Coin to the Holder, the loss will be for the account of the Holder.

14.6 Issuer's Guarantee

The Issuer, in order to ensure timely balancing with STRATE and to maintain the integrity of the Krugerrand Custodial Certificates, will make good losses arising from the above mentioned fabrication and delivery, storage and allocation risks up to a cumulative limit of R3 million for any such losses covered during the life of the Krugerrand Custodial Certificates. The Issuer has the discretion, but not the obligation, to make good losses in excess of this limit should it deem it fit to do so.

The description of risks above is not exhaustive and is provided to highlight the risks identified by the Issuer

14.7 Continuity Risk

The Krugerrand Custodial Certificate is envisaged to be listed for three ten year periods, with each ten year period maturing so that investors who so wish may take physical delivery of their Allocated Krugerrands (investors owning a Block may take delivery of the Block at any time). Notwithstanding this, it is possible that the Krugerrand Custodial Certificates may be delisted due to the following factors:

1. a loss occurs (that is: Krugerrand Coins are lost, stolen, destroyed or an investor suffers a loss arising from the liquidation/insolvency of the seller of a Krugerrand Coin or any other loss arising) that is beyond the Issuer's stated guarantee of a cumulative amount of R3 million and the Issuer opts not to increase this amount;
2. the ability of the Custodian to continue storing Krugerrand Coins on behalf of owners is diminished and no suitable replacement Custodian can be found which will satisfy the JSE and the Issuer;
3. the Issuer's internal risk assessment on the Custodian necessitates the delisting of the product;
4. the ability of Rand Refinery to produce Krugerrand Coins is extinguished or diminished; or
5. any other prudent reason which would necessitate such delisting.

The above list is not meant to be exhaustive of the circumstances which could lead to the delisting of the Krugerrand Custodial Certificates. Should the Krugerrand Custodial Certificates be delisted, investors can opt to take physical delivery of their Allocated Krugerrands or instruct the Issuer to dispose of their Krugerrand Coins on their behalf and receive a net cash amount (after deduction of costs, as set out in clause 14.4 of the Contract) based on the relevant LBMA fix price as announced on SENS by the Issuer.

In the event that the Krugerrand Custodial Certificate is delisted due to one or more Krugerrand Coins being lost, destroyed, stolen etc., the owners of such Allocated Krugerrands will bear the loss directly. As each Krugerrand Coin and its owner are uniquely identified, losses will not be shared proportionately amongst all holders, but will be borne by the owners of the Krugerrand Coins so affected. The delisting of the Krugerrand Custodial Certificate will not extinguish the rights of owners who have suffered a loss to claim compensation from the responsible party or from pursuing any claims that may arise.

15. Regulatory Considerations in respect of the Krugerrand Custodial Certificates

15.1 JSE Listings Requirements

The Issuer undertakes to comply in full with the JSE Listings Requirements as applicable to the Krugerrand Custodial Certificate. All Krugerrand Custodial Certificates will rank *pari passu* with each other and are fully paid up and freely transferable.

The Market Maker will act for this purpose and generally as contemplated in section 19.51(n) of the JSE Listings Requirements which require an issuer of listed securities to endeavour to provide and maintain a reasonable bid and offer in respect of such securities.

The Market Maker may from time to time acquire Krugerrand Custodial Certificates in the secondary market from Holders on the JSE. When the Market Maker acquires a Krugerrand Custodial Certificate, the terms and conditions set out in the Contract will apply to it by virtue of it becoming a Holder of a Krugerrand Custodial Certificate.

The Market Maker will attempt to ensure that a liquid secondary market in Krugerrand Custodial Certificates will develop but will not guarantee such a market.

Any termination of listing will be subject to the JSE Listings Requirements.

15.2 Exchange control considerations

The Financial Surveillance Department of the South African Reserve Bank has approved the creation and listing of the Krugerrand Custodial Certificates on the JSE.

15.3 Tax considerations for Holders of Krugerrand Custodial Certificates

The information provided under this section on the tax consequence of disposals of Krugerrand Custodial Certificates is intended for general guidance only and not intended to be tax advice. Each Holder should seek professional tax advice as to the tax consequences of acquiring and disposing of a Krugerrand Custodial Certificate and Krugerrand Coins.

The capital or revenue nature of the Krugerrand Custodial Certificates and Krugerrand Coins in the hands of the Holders should be assessed on a case-by-case basis.

The tax position of the Holder will be governed by the intention with which the Holder enters into the relevant investments. If the Holder enters into the relevant investments as part of a scheme of profit-making, any profits will be subject to income tax. Conversely, if the Holder enters into the relevant investments as long-term investments on capital account, any gains will be subject to CGT.

Where held on capital account, in broad terms the Holder would be subject to CGT (or would suffer a capital loss for CGT purposes, which can be off-set against capital gains) on the difference between the proceeds on disposal and original cost of acquisition of the investment.

Where held on revenue account, that is as part of a scheme of profit-making, the relevant investment would comprise trading stock. Generally speaking, the Holder would be subject to income tax (or would suffer a tax deductible loss) on the difference between the selling price and original cost of acquisition of the trading stock in the year in which the Krugerrand Custodial Certificate or Krugerrand Coin is disposed of.

In most instances due to the nature of the Krugerrand Custodial Certificate or Krugerrand the sale proceeds will be included in gross income and taxed on revenue account.

15.3.1 Securities transfer tax

Section 1 of the Securities Transfer Tax Act defines a security, inter alia, as “a share or depository receipt in a company”.

As the Krugerrand Custodial Certificate will not constitute a depository receipt in a company but rather a security linked to an underlying Krugerrand, the issue, subsequent sale and redemption of the Krugerrand Custodial Certificate will not be subject to Securities transfer tax.

15.3.2 Tax implications of ten year reset mechanism

At the end of the initial 10-year period, Holders may be given the option to roll their current holdings into a new Krugerrand Custodial Certificate. As costs will be incurred in rolling into a new Krugerrand Custodial Certificate, and as a portion of the Holder's Allocated Krugerrands will need to be sold to fund such costs the offer, if made, will

consist of a ratio of the existing holdings being exchanged for new holdings, and the difference between the proceeds of the Allocated Krugerrands disposed of, and the costs incurred, will constitute a cash portion payable to the Holder. The Holder will therefore exchange the existing Krugerrand Custodial Certificate for a new Security and cash. The Holder will remain the owner of the Allocated Krugerrand except those disposed of in terms of the provisions of the offer.

To the extent a cash portion is realised by the Purchaser from the exchange this will be taxed as part of the Purchaser's gross income.

15.4 Governance and disclosure of financial information

Corporate governance of the Krugerrand Custodial Certificate can be divided into two categories, each of which needs to be adequately catered for in order to achieve a product that is fair and transparent:

- fiduciary duty, disclosures and interests of the parties; and
- audit procedures on inventory and relevant financial disclosure.

15.4.1 Fiduciary duty, disclosures and interests of the parties

The Krugerrand Custodial Certificate structure does not involve the creation of a Manco nor does it constitute a Collective Investment Scheme ("CIS") as defined. Furthermore, the relationship between Issuer and Investor is defined contractually, with the Issuer exercising very limited discretion with regards to the functioning of the Krugerrand Custodial Certificates. As such, the traditional fiduciary duty that would arise between a Manco and Investors into a CIS portfolio does not arise.

In the absence of the traditional CIS structure, alternate measures are required to deal with any potential conflicts of interest and to ensure maximum protection of Investor interests. The Issuer has used the following mechanisms to achieve this:

- contractual delineation of functions, responsibilities and duties;
- full upfront disclosure of risks, product features, product limitations and operational procedures; and
- transparency as to the Issuer's points of profit on the Krugerrand Custodial Certificate.

In particular, Investors will have full upfront knowledge and disclosure of the following:

- a) The numismatic premium at which Krugerrand Coins trade is known (through the publicly available NAV calculation) to the Investor, and to the extent that the Issuer is able to source coins at a lower premium, such difference is legitimate profit for the Issuer.
- b) The entire mechanics of the Krugerrand Custodial Certificate (numismatic premium, storage costs, Allocation Algorithm, insurance cover, production lead times, possible risks and procedures in the case of loss) are fully documented in this Offering Circular.
- c) Storage costs on the Krugerrand Coins are calculated as a fixed percentage of average gold prices over time, whereas Investors pay a fixed percentage at a point in time. Any variance that results (under or over) through time will be for the Issuer's account. In meeting its obligation to cover any variances, FirstRand may employ such internal risk management strategies as it deems necessary and prudent to assist it in fulfilling its obligations.

The main difference between the unique structure of the Krugerrand Custodial Certificate and a CIS/traditional ETF structure is that the Issuer in the Krugerrand Custodial Certificate acts more as a product vendor (coin and storage) than a discretionary asset manager. As such, the Investor's risks are largely determined

contractually, imposing an obligation on the Issuer and Market Maker to act in accordance with their contractually defined obligations as opposed to imposing a fiduciary duty on them to exercise discretion in the interests of the Investor. The interests of the Investor are objectively protected by contract and product design rather than by relying on the subjective interpretation of fiduciary duty by a discretionary manager.

15.4.2 Audit Procedures and Financial Disclosure

Due to the fact that the Issuer does not exercise any discretion over the Investor's funds, but rather acts as a product vendor, the financial performance of the business unit responsible for Market Making the Krugerrand Custodial Certificate and seeing to its efficient functioning does not hold any relevance to the Investor. The Investor owns the Allocated Krugerrands directly and as such, is removed from reliance on the solvency of the Issuer. The two main issues that affect the Investor are as follows:

1. The safety and continued existence of their Allocated Krugerrands in storage with the Custodian.
2. The timeous payment of storage fees by the Issuer. A 2 month rolling storage buffer, instituted on each new issue and adjusted in line with the latest monthly storage fee will be paid by the Issuer to the Custodian to allow for a 2 month credit with the Custodian in respect of storage fees at all times.

The integrity of the Allocated Krugerrand holdings at the Custodian will be maintained and verified using a three tier system:

1. Daily verification by the Custodian, in which it reports its balances to STRATE where such balances must match.
2. External verification, twice a year, by the Issuer's personnel who will oversee a physical count of Krugerrand Coins.
3. External verification, once a year, by an external auditor, who will oversee a physical count of Krugerrand Coins and will provide records of such count to the JSE for their records.

Other than as set out above, the Issuer's personnel will have no access to the Krugerrand coins.

The Issuer believes that the above represents a diversified and continuous process of independent verification, that at the very least meets, if not exceeds, current audit practices on traditional ETFs.

16. The Issuer

16.1 Information on FirstRand Limited

Details on FirstRand Limited's directors, share capital, major shareholders, borrowings, material loans, directors' interest in securities and in transactions, litigation statement, material contracts, financial information and corporate governance can all be found on FirstRand Limited's website <http://www.firstrand.co.za/InvestorCentre/Pages/annual-reports.aspx>, the details of which remain unchanged as a result of the listing of the Krugerrand Custodial Certificates.

16.2 Nature of business, incorporation and background of FirstRand Limited

FirstRand Limited is a public company and registered bank controlling company. The Group provides banking and investment products and services to retail, commercial, corporate and public sector customers through its portfolio of market-leading franchises. FirstRand Limited is the holding company of the FirstRand group of companies and is listed on the securities exchange

of the Johannesburg Stock Exchange (under Financial – Banks, share code: FSR) and the Namibian Stock Exchange (NSX) (share code: FST).

FirstRand Bank Limited is a wholly owned subsidiary of FirstRand Limited, and has a number of divisions, including Rand Merchant Bank (the investment bank), FNB (the retail and commercial bank) and WesBank (the instalment finance provider).

Whilst the Group is predominantly South African based, it has subsidiaries in Namibia, Botswana, Zambia, Mozambique, Tanzania, Nigeria, Swaziland and Lesotho. FirstRand Bank has branches in India and the United Kingdom, and representative offices in Dubai, Kenya, Angola and China. FirstRand Limited's banking origins date back approximately 180 years to the forming of the Eastern Province Bank in Grahamstown in 1838.

RMB Global Markets is a division of Rand Merchant Bank — a leading African corporate and investment bank with roots firmly in South Africa. The division's on-the ground presence across the African continent coupled with its local knowledge and expertise perfectly positions the team to be investor's single point of contact for all African transactional banking, fixed income, currency and commodity needs.

RMB Global Markets offers a comprehensive range of products and solutions, which cover all aspects of risk relating to interest rate, currency and commodity exposures as well as innovative structuring funding solutions. RMB Global Markets are renowned for their focus on unlocking Africa's vast economic potential. More information on RMB Global Markets can be found on the following the website:[http:// www.rmb.co.za/globalmarkets/index.asp](http://www.rmb.co.za/globalmarkets/index.asp)

The Krugerrand Custodial Certificates comprise two key elements:

1. A listed element involving:
 - a. Structuring of the security
 - b. Market making
 - c. Ongoing JSE disclosure, settlement and related activities
 - d. Related infrastructure and expertise
2. A physical element, involving:
 - a. Sourcing of Krugerrands
 - b. Storing of Krugerrands
 - c. Related infrastructure and expertise

The Metals and Energy Desk ("Desk") in FirstRand Bank has a track record of structuring and implementing innovative commodity investment products in a listed environment including:

1. Inward listed futures on SAFEX
2. Quanto futures on SAFEX
3. Commodity ETNs on the JSE
4. FirstRand Gold Bond

The Desk has actively and successfully made a market for many years in the above products, and has the expertise and infrastructure to continue doing so. In addition to these products, the Desk has been an approved market maker for the NewGold ETF for at least the past 3 years, and continues to actively make a market in the NewGold ETF securities. In addition to the Desk specifically, FirstRand Bank has successfully listed and made a market in a number of equity ETFs listed on the JSE, and this expertise, knowledge and infrastructure is available to the Desk. In fact, the Desk has unfettered access to the entire skillset in FirstRand Bank comprising all aspects of JSE market making and issuance, both in ETFs and other products.

In terms of expertise in physical gold, the Desk currently exports a significant portion of South Africa's gold production annually. In exporting gold, the Desk has developed capabilities in gold logistics and storage, hedging, sourcing, pricing and distribution. The Desk has strong relationships with key service providers such as Rand Refinery for the supply of gold and The Custodian for the safe custody and transport of gold. FirstRand Bank has an internal logistics committee that assesses the capabilities of service providers, sets credit limits, oversees reviews

and monitoring of all risks associated with the storage and movement of physical gold. FirstRand Bank also has internal collateral manager who inspects vaulting facilities and logistics arrangements.

In terms of expertise with Krugerrands, the Desk pioneered the sale of Krugerrands through online banking channels by developing the FNB Share Invest Krugerrand offering. The product offers live pricing on the FNB Online platform, instant cash settlement to and out of FNB bank accounts, secure storage of the coins and physical delivery of the coins to customers. In developing the physical gold business as well as the Krugerrand business, FirstRand Bank has developed legal and systems expertise in structuring, administering and maintaining a physical gold business.

16.3 Responsible parties

The Krugerrand Custodial Certificates will be managed by the Market Maker.

The persons employed by the Market Maker and responsible for the development and running of the Krugerrand Custodial Certificates are as follows:

Full name	Function and experience	Business address
Henry Collins	Head of trading RMB Global Markets	Rand Merchant Bank 1 Merchant Place Cnr Rivonia Road & Fredman Drive Sandton, 2146 (PO Box 786273, Sandton, 2146) Switchboard: 011 282 8000
Ettienne van Wyk B.Sc (Mathematics and Mathematical Statistics), Rand Afrikaans University B.Sc Hons (Mathematical Statistics) , Rand Afrikaans University M.Sc (Mathematics) , University of Johannesburg M.Sc (Risk Analysis), Northwest University FRM, GARP, CFA levels 1&2	Head of Metal & Energy Desk RMB Global Markets Etienne has been involved in financial markets for 14 years, 5 of these years were spent in equities and 9 in commodities, specifically gold. Etienne's experience relates to derivative structuring, risk management and trading as well as logistics of physical commodities.	Rand Merchant Bank 1 Merchant Place Cnr Rivonia Road & Fredman Drive Sandton, 2146 (PO Box 786273, Sandton, 2146) Switchboard: 011 282 8000
Ebrahim Patel <i>Qualifications:</i> BSc (Applied Maths/Stats) – Univ of Natal BScHons (Statistics) – Univ of Natal MPhil (Ethics)- Univ of Jhb LLB - UNISA Postgraduate Certificate in Advanced Taxation - UNISA Certificate in Advanced Corporate and Securities Law - UNISA Programme in Investment Analysis and Portfolio Management - UNISA	Commodity specialist Product Development <i>Work Experience:</i> Ebrahim worked as a strategy consultant in retail banking and as an analyst in asset management before joining Rand Merchant Bank as a quants analyst. He then joined the "Class Of" programme at FirstRand Bank and has worked in private equity, asset based finance, mining and resources credit and in commodities trading. Ebrahim currently works on the RMB Metals and Energy Desk as a commodity	Rand Merchant Bank 1 Merchant Place Cnr Rivonia Road & Fredman Drive Sandton, 2146 (PO Box 786273, Sandton, 2146) Switchboard: 011 282 8000

Registered Persons Exams (Equities, Bonds Trader, Bonds Compliance, Futures, Money Market)- SAIFM	specialist, focusing on new product development, strategy and business growth. He has been instrumental in pioneering innovative commodity investment products in the South African market such as the FNB Share Invest Krugerrand product, Coal and Oil ETN's listed on the JSE, commodity quanto futures listed on SAFEX and the FirstRand Gold Bond.	
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Note:

- All parties above are South African citizens.

16.4 Directors of the Issuer

Full name	Business address
Lauritz Lanser Dippenaar*	4 Merchant Place, Cnr Rivonia Road and Fredman Drive, Sandton, 2146, Gauteng
Sizwe Errol Nxasana**	4 Merchant Place, Cnr Rivonia Road and Fredman Drive, Sandton, 2146, Gauteng
Vivian Wade Bartlett#	740 Nick's Place, Eagle Canyon Golf Estate, Blue Berry Road, Honeydew, 2040, Gauteng
Jurie Johannes Human Bester#	6 Neptune Close, Simons Town, Western Cape, 7995
Mary Sina Bomela*	4 Eton Road, Parktown, Gauteng
Johan Petrus Burger**	4 Merchant Place, Cnr Rivonia Road and Fredman Drive, Sandton, 2146, Gauteng
Peter Cooper^	3 rd Floor, 2 Merchant Place, Cnr Rivonia Road and Fredman Drive, Sandton, 2146, Gauteng
Leon Crouse*	Millenia Park, 16 Stellentia Avenue, Stellenbosch, Western Cape, 7600
Jan Jonathan Durand*	Millenia Park, 16 Stellentia Avenue, Stellenbosch, Western Cape, 7600
Grant Glenn Gelink#	25 Kingsbridge Manor, Malgas Road, Douglasdale, 2191
Patrick Maguire Goss#	15 Suffert Street, Pinetown, Kwa Zulu Natal, 3600
Nolulam Nobambiswano Gwagwa#	1 st Floor, Commerce Square, Rivonia Road, Illovo, 2196, Gauteng
Paul Kenneth Harris*	3 rd Floor, 2 Merchant Place, Cnr Rivonia Road and Fredman Drive, Sandton, 2146
William Rodger Jardine#	6th Floor, Primedia Place, 5 Gwen Lane, Sandown, 2196, Gauteng
Hetash Surendrakumar Kellan*	4 Merchant Place, Cnr Rivonia Road and Fredman Drive, Sandton, 2146, Gauteng
Ethel Gothatamodimo Matenge-Sebesho#	178/180 Beyers Naude Drive, Risidale, 2195, Gauteng
Amanda Tandiwe Nzimande*	Unit DG0001, Ground Floor, Grosvenor Gate, Hyde Park Lane, Hyde Park, 2199, Gauteng

Deepak Premnarayan**	4 th Floor, A Block Business Square, Solitaire Corporate Park, Chakala, Andheri (East), Mumbai, 4000 093 India,
Kgotso Buni Schoeman*	27 Scott Street, Waverley, 2090, Gauteng
Benedict James van der Ross#	4 Merchant Place, Cnr Rivonia Road and Fredman Drive, Sandton, 2146, Gauteng
Jan Hendrik van Greuning#	10937 Hunter Gate Way, Reston, Virginia, 20194-1449, United States of America

* **Non-executive director**

** **Executive director.**

Independent non-executive director

^ **Alternate non-executive director**

16.5 Credit rating

The credit rating of FirstRand Limited can be found on the following link:
<http://www.firstrand.co.za/InvestorCentre/Pages/credit-ratings.aspx>

16.6 Rights of Holders of Krugerrand Custodial Certificate in the event of liquidation and business rescue of the Issuer

In the event of the liquidation or business rescue of the Issuer, ownership rights of Holders of Allocated Krugerrands held in custody by the Custodian will be unaffected, and the only consequence would be that the Krugerrand Custodial Certificate will be delisted. In respect of Krugerrand Coins in production, the Issuer will have paid Rand Refinery for the Krugerrand Coin, and ceded its rights against Rand Refinery to the Holder, and the Holder will thus have a claim on Rand Refinery. The Allocation Algorithm would stop running and the Krugerrand Custodial Certificates will delist and Holders can collect their Krugerrand Coins, in terms of clause 8 above.

16.7 Advisor's consents

The Merchant Bank and Sponsor, Market Maker and Attorneys, whose names appear on the front cover of this Offering Circular, have consented to their names being referred to in this Offering Circular in the form and context in which they are included and have not withdrawn such consent prior to the publication of this Offering Circular.

16.8 Expenses relating the creation and listing of the Krugerrand Custodial Certificates

The costs relating to the creation and issuing of the Krugerrand Custodial Certificates are anticipated to be as follows:

Description	Name	R
JSE documentation fees	JSE	75 559.25
Printing of the Offering Circular	INCE	10 000.00
Merchant Bank, Sponsor and Market Maker fees	RMB	100 000.00
Legal fees	Webber Wentzel	1 500 000.00
Total		1 685 559.25

16.9 Documents available on the website

Copies of this Offering Circular will be published on the website of the Market Maker (www.rmb.co.za). The NAV of the Krugerrand Custodial Certificates (as calculated in clause 13 above) will be published on each business day on the above website.

The price at which the Krugerrand Custodial Certificates trade on the secondary market may be distributed by business newspapers daily.

As FirstRand Limited is a listed company on the main board of the Johannesburg Stock Exchange, FirstRand Limited will provide regular updates on material price sensitive information and release periodic financial information as required. The performance of the Issuer however, has no affect on the performance of the Krugerrand Custodial Certificates.

16.10 Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of the Issuer at any time during office hours for 14 Business Days after publication of this Offering Circular:

- a signed copy of this Offering Circular;
- the written advisor's consents to act in the capacities stated in clause 16.7 above;
- a summary of all the agreements relating to the Krugerrand Custodial Certificates.

By order of the Board

Carnita Low
Company Secretary

21 October 2014

4 Merchant Place
Cnr Rivonia Road and Fredman Drive
Sandton, 2146
(PO Box 786273, Sandton, 2146)

ANNEXURE I

TERMS AND CONDITIONS ATTACHING TO A KRUGERRAND CUSTODIAL CERTIFICATE

The following terms and conditions shall attach to each Krugerrand Custodial Certificate, created, listed and issued by the Issuer:

1. Interpretation

1.1 Unless the contrary intention clearly appears, the following terms shall bear the following meanings:

1.1.1 "Allocated Krugerrand"	means a specific one ounce fine gold Krugerrand coin with a standard mass of approximately 33,965 grams as referred to in Schedule 2 to the South African Reserve Bank Act 90 of 1986, identified by its Unique Number, which has been allocated by the Allocator to a Holder through the application of the Allocation Algorithm;
1.1.2 "Allocation Algorithm"	means the bespoke algorithm-based allocation system that will be used by the Allocator to identify the Krugerrand to be Delivered to a Holder;
1.1.3 "Allocator"	means the Issuer, acting as allocator of Krugerrands as set out in 9.3 below;
1.1.4 "Block"	means a quantity of 1 000 (one thousand) or more Krugerrand Custodial Certificates;
1.1.5 "CISCA"	means the Collective Investment Schemes Control Act 45 of 2002 or any successor Act that may repeal and replace CISCA;
1.1.6 "Contract"	means this contract, being the terms and conditions pursuant to which the right to Delivery in respect of a Krugerrand (which upon such Delivery becomes the Allocated Krugerrand) is bought and sold;
1.1.7 "Custodian"	the custodian, appointed as envisaged in clause 7.1, that will hold the Allocated Krugerrand and all other Krugerrands delivered to holders of Krugerrand Custodial Certificates in custody, being Brink's Southern Africa (Proprietary) Limited, registration number: 1996/004662/07), or such other or additional custodian as the Issuer may appoint from time to time;
1.1.8 "Custodial Agreement"	means the custodial agreement entered into between the Issuer and the Custodian in terms of which the Custodian undertakes to hold Krugerrands in custody for Holders, and to give effect to the Delivery thereof and the Collection thereof, on instructions from the Issuer;
1.1.9 "Collection" or "Collect"	means the collection of an Allocated Krugerrand by the Holder from the Custodian following on from the delisting and surrender of the Holder's Krugerrand Custodial Certificate;
1.1.10 "Collection Conditions"	means (i) providing to the Issuer a Collection Notice (by hand, by e-mail, by facsimile, by registered post or in such other manner as the Issuer may authorize from time to time), together with the statements evidencing the title of the Holder of the relevant Krugerrand Custodial Certificates and (ii) the Holder giving such instructions as are required by the Issuer for the delisting and cancellation thereof;
1.1.11 "Collection Date"	means the date of actual receipt of a Collection Notice by the Issuer, provided that the Collection Notice is received during JSE trading hours on a Trading Day. If the Collection Notice is actually received on a day not being a Trading Day, or after close of JSE trading hours on any Trading Day, then the Collection Notice shall be deemed to have been received on the next Trading Day;

1.1.12 "Collection Notice"	means a written notice (in the prescribed format required by the Issuer from time to time, available from the Issuer on request), delivered by the Holder to the Issuer, requiring the Issuer to instruct the Custodian to permit the Holder to collect and take physical possession of Allocated Krugerrands comprised in a Block (or such lesser number of Allocated Krugerrands as the Issuer may in its discretion allow) owned by the Holder (and for the avoidance of doubt, reflected in the most recent Ownership Register and actually held by the Custodian), once, <i>inter alia</i> , the delisting and cancellation of the relevant number of Krugerrand Custodial Certificates owned by the Holder has been effected;
1.1.13 "Delivery" and "Delivered"	means the delivery of a Krugerrand to effect transfer of ownership thereof from the party delivering the Krugerrand to the party receiving it. In respect of the initial delivery (i.e. the first delivery after the manufacture of the Krugerrand by Rand Refinery), by Rand Refinery (as agent of the Issuer) to the Custodian (as agent for a Holder who is entitled to receive delivery and whose name, in respect of such delivery appears in the most recent Ownership Register), delivery is in the form of an actual delivery of the Krugerrand. In respect of further deliveries (once the Krugerrand is in the custody of the Custodian), delivery is in the form of attornment, where the Custodian will, on instructions from the Allocator, duly authorized by the transferor and the transferee, cease to hold the Krugerrand for the transferor and commence holding the Krugerrand on behalf of the transferee;
1.1.14 "FM Act"	means the Financial Markets Act 19 of 2012 or any successor Act that may repeal and replace the said Act;
1.1.15 "Holder"	means the person registered from time to time in the Security Register as a registered holder of a Krugerrand Custodial Certificate;
1.1.16 "Issuer"	means FirstRand Bank Limited, registration number 1929/001225/06);
1.1.17 "JSE"	means the Johannesburg Stock Exchange being the exchange operated by the JSE Limited, (Registration number: 2005/022939/06), or its successor in title;
1.1.18 "JSE Listings Requirements"	means service issue 17 of the listings requirements of the JSE, as amended and updated from time to time;
1.1.19 "Krugerrand Custodial Certificate" or "KCC"	means a Krugerrand Custodial Certificate, created, listed and issued by the Issuer, in terms of which the Holder acquires (i) the right to Delivery of a specific Krugerrand, identified by its Unique Number, allocated to the Holder by the Allocator through the application of the Allocation Algorithm and (ii) the right to sell the right to Delivery of a specific Krugerrand;
1.1.20 "Market Maker"	means the Issuer, acting through its Rand Merchant Bank division;
1.1.21 "Maturity Date"	means [●]; being the date upon which Krugerrand Custodial Certificates issued by the Issuer in terms of this Contract and the Offering Circular will mature, and the Holders will be entitled, subject to the provisions of clause 14 hereof, to Collect Krugerrands from the Custodian or, alternatively, elect that the Issuer dispose of their Krugerrands on their behalf as contemplated in clause 14.4;
1.1.22 "Offering Circular"	means the Offering Circular relating to the listing and issuance of Krugerrand Custodial Certificates dated 21 October 2014;
1.1.23 "Ownership Register"	means the register of Holders and their Allocated Krugerrands, maintained by the Issuer;
1.1.24 "Rand Refinery"	means Rand Refinery Limited, (Registration number: 1920/006598/06), or its successor in title;
1.1.25 "Security Register"	means the register of owners of Krugerrand Custodial Certificates maintained

	by STRATE, in terms of the FM Act, and STRATE's rules and procedures, as evidenced from time to time by a weekly download thereof, known as the "BND download";
1.1.26 "STRATE"	means Strate Limited, (Registration number: 1998/022242/06), or its successor in title;
1.1.27 "T + X"	refers to a specified number of days after the date on which a Krugerrand Custodial Certificate is purchased on the JSE where: <ul style="list-style-type: none"> • "T" denotes the date of the purchase; and • "X" denotes the number of days following the date of the purchase;
1.1.28 "Trading Day"	means a day on which trading of Krugerrand Custodial Certificates may take place on the JSE; and
1.1.29 "Unique Number"	means a unique number allocated to each Krugerrand which is to be delivered pursuant to the issue of a KCC by the Issuer, which number is linked to such Krugerrand by placing such Krugerrand in a tamperproof plastic packaging which has the unique number affixed to it.

1.2 In this Contract:

- 1.2.1 words importing the masculine gender include the feminine and neuter genders and *vice versa*; the singular includes the plural and *vice versa*; and natural persons include artificial persons and *vice versa*;
- 1.2.2 references to a "person" include a natural person, company, close corporation or any other juristic person or other corporate entity, a charity, trust, partnership, joint venture, syndicate, or any other association of persons; and
- 1.2.3 if a definition imposes substantive rights and obligations on a party, such rights and obligations shall be given effect to and shall be enforceable, notwithstanding that they are contained in a definition.

2. Introduction

- 2.1 This Contract sets out the rights and obligations which attach to and flow from a Krugerrand Custodial Certificate, and the rights and obligations of Holders in relation to each other.
- 2.2 Krugerrand Custodial Certificates are listed securities created and issued by the Issuer. Krugerrand Custodial Certificates evidence the terms and conditions subject to which the right to acquire ownership by Delivery of a Krugerrand, to be allocated by the Allocator through the application of the Allocation Algorithm, may be bought and sold on the JSE.
- 2.3 When Delivery of the Allocated Krugerrand takes place in accordance with this Contract, the Holder becomes the owner of the Allocated Krugerrand and the Holder's right to acquire a Krugerrand is extinguished by performance.
- 2.4 The Holder of a Block may, at any time prior to the Maturity Date, and in compliance with the Collection Conditions, instruct the Issuer to delist his Krugerrand Custodial Certificates in respect of a Block, surrender such Krugerrand Custodial Certificates and thereafter Collect the relevant Krugerrands owned by him from the Custodian.
- 2.5 On the Maturity Date the Holder will:
 - 2.5.1 if the Krugerrand Custodial Certificate is not rolled over at the election of the Issuer; or
 - 2.5.2 if the Krugerrand Custodial Certificate is rolled over at the election of the Issuer and the Holder elects to not participate in the rolled over Krugerrand Custodial Certificate programme,

be entitled to Collect his Allocated Krugerrand from the Custodian or, alternatively, elect that the Issuer dispose of his Allocated Krugerrand on his behalf as contemplated in clause 14.4. No compliance with the Collection Conditions is required in respect of Allocated Krugerrands to be Collected after the Maturity Date.

- 2.6 Krugerrand Custodial Certificates will be listed and traded on the JSE through any authorised user of the JSE.

3. **Tripartite agreement**

This Contract constitutes a binding legal agreement between the Issuer, the Holder from time to time (who, depending on the capacity he acts in from time to time, may be either a purchaser or a seller of the right to Delivery of a Krugerrand) and, by virtue of the provisions of the Custodial Agreement, in terms of which the Custodian undertakes to give effect to the provisions hereof, insofar as it is affected hereby, the Custodian.

4. **Legal nature of Krugerrand Custodial Certificates**

- 4.1 Krugerrand Custodial Certificates represent the legal mechanism pursuant to which the right to acquisition of ownership by Delivery of a Krugerrand, to be allocated by the Allocator through the application of the Allocation Algorithm, will be bought and sold on the JSE.
- 4.2 The Holder of a Krugerrand Custodial Certificate will be entitled to claim and take Delivery of the Allocated Krugerrand, subject to the terms and conditions set out in this Contract and the Offering Circular. When Delivery takes place as contemplated in this Contract, the Holder of a Krugerrand Custodial Certificate will acquire ownership of the Allocated Krugerrand and the Holder's right to take Delivery of the Allocated Krugerrand will be extinguished by performance.
- 4.3 The right of the Holder to delist and surrender his Krugerrand Custodial Certificate and Collect his Allocated Krugerrand prior to the Maturity Date is subject to compliance with the Collection Conditions and the procedure set out in 14 below.
- 4.4 Krugerrand Custodial Certificates are not "*participatory interest[s] in a collective investment scheme as defined in the Collective Investment Schemes Control Act, 2002 (Act No. 45 of 2002), and units or any other form of participation in a foreign collective investment scheme approved by the Registrar of Collective Investment Schemes in terms of section 65 of that Act*" as contemplated under the (a)(v) section of "*securities*" contained in section 1 of the FM Act.

5. **Matching on JSE does not result in transfer of ownership in respect of the Allocated Krugerrand**

- 5.1 The matching of a buyer and seller of a Krugerrand Custodial Certificate on the JSE does not result in the transfer of ownership in respect of the Allocated Krugerrand or any other specific Krugerrand, but constitutes the sale by the seller and the purchase by the purchaser of the right to receive Delivery of a Krugerrand, to be allocated by the Allocator by the application of the Allocation Algorithm.
- 5.2 The arrangements set out in this Contract relating to Delivery are acknowledged by the parties to this Contract to be the only mechanism pursuant to which ownership in respect of the Allocated Krugerrand can be transferred.

6. **Market Maker's acquiring of Krugerrand Custodial Certificates in the secondary market**

The Market Maker may from time to time acquire Krugerrand Custodial Certificates in the secondary market from Holders on the JSE. When the Market Maker acquires a Krugerrand Custodial Certificate, the terms and conditions set out in this Contract will apply to it by virtue of its becoming a Holder.

7. **Custodial arrangements**

- 7.1 Allocated Krugerrands will be kept in custody by the Custodian on the Holders' behalf. The Issuer has appointed the Custodian to exercise custody over the Allocated Krugerrands. The Issuer has the obligation to pay the Custodian for providing storage services.
- 7.2 The Custodian will exercise custody over the Allocated Krugerrands pursuant to the Custodial Agreement.

- 7.3 The Custodian will keep the Allocated Krugerrand in custody for a period of 10 years and 3 months from the date of listing of the first Krugerrand Custodial Certificate, whereafter the arrangements set out in clause 15 (as read with clause 2.5) will apply.
- 8. Market value of this Krugerrand Custodial Certificate**
- 8.1 The purchase price payable for a Krugerrand Custodial Certificate is the prevailing price at which Krugerrand Custodial Certificates trade on the JSE from time to time.
- 8.2 The purchase price of Krugerrand Custodial Certificates at any given time will be subject to market forces.
- 8.3 The market value of a Krugerrand Custodial Certificate may be affected by supply and demand and other market factors, but the ability of a Holder to delist and surrender Krugerrand Custodial Certificates by exercising his right to Collect his Allocated Krugerrand from the Custodian, should operate substantially to avoid or minimize any differential which may otherwise arise between the price of a Krugerrand in the market for Krugerrands and the value at which the Krugerrand Custodial Certificates trade on the JSE from time to time.
- 9. Allocation and Delivery of the Allocated Krugerrand**
- 9.1 For the avoidance of doubt, it is recorded that this clause 9 applies only in circumstances where an Allocated Krugerrand is in existence, has had a Unique Number allocated to it and it has been Delivered to the Custodian. The provisions of clause 10 apply where an Allocated Krugerrand has not yet been manufactured, or where it has been manufactured but not yet Delivered to the Custodian.
- 9.2 By purchasing a Krugerrand Custodial Certificate on the JSE, the Holder acquires the right to Delivery of a Krugerrand. The specific Krugerrand to be delivered shall be determined by the Allocator through the application of the Allocation Algorithm.
- 9.3 The Allocator will, on a regular weekly basis (subject to operational delays beyond its control) obtain the Security Register from STRATE, and, using the information contained in the Security Register, apply the Allocation Algorithm to determine which particular Krugerrand, identified by its Unique Number, shall be Delivered to a Holder.
- 9.4 Following the allocation referred to in 9.3:
- 9.4.1 the Ownership Register will be created (in respect of the first Delivery after the creation of the first Krugerrand Custodial Certificates) and, thereafter, updated weekly, and delivered to the Custodian; and
- 9.4.2 the Ownership Register, once delivered in terms of clause 9.4.1, and hence the records of the Issuer, the Allocator and the Custodian will reflect that a specific Krugerrand, identified by its Unique Number (and constituting an Allocated Krugerrand) is owned by a specified Holder.
- 9.5 The Holder, the Issuer and the Custodian hereby agree that:
- 9.5.1 following the allocation process referred to in 9.3, the Custodian will no longer hold the Allocated Krugerrand on behalf of the previous Holder but will hold the Allocated Krugerrand on behalf of the new Holder as reflected in the Ownership Register;
- 9.5.2 receipt by the Custodian of the Ownership Register will serve as an instruction to transfer by the previous Holder and acceptance of transfer by the new Holder of the Allocated Krugerrand;
- 9.5.3 the receipt by the Custodian of the Ownership Register will also serve as notice of the transfer of the Allocated Krugerrand to the Holder;
- 9.5.4 the tripartite agreement set out in 9.5.1 to 9.5.3 above will constitute Delivery of the Allocated Krugerrand to the Holder following which the Holder will become the owner of such Allocated Krugerrand; and

- 9.5.5 the tripartite agreement set out in 9.5.1 to 9.5.3 above will extinguish and be in fulfilment of the Holder's right to Delivery of a Krugerrand purchased by the Holder through the acquisition of a Krugerrand Custodial Certificate.
- 9.6 Each successive Holder will:
- 9.6.1 by purchasing a Krugerrand Custodial Certificate, acquire the right to Delivery of a Krugerrand, to be allocated to that Holder by the application by the Allocator of the Allocation Algorithm, and the right to sell an equivalent right to Delivery of a Krugerrand; and
- 9.6.2 by selling a Krugerrand Custodial Certificate, sell to the purchaser thereof the right to Delivery of a Krugerrand, to be allocated to that purchaser by the application by the Allocator of the Allocation Algorithm.
- 9.7 In order to ensure that ownership of the Allocated Krugerrand passes from the seller of a Krugerrand Custodial Certificate to a purchaser of a Krugerrand Custodial Certificate, (who may, but who shall not necessarily be the person to whom the seller sells a Krugerrand Custodial Certificate through the JSE) the Custodian and each successive Holder of a Krugerrand Custodial Certificate hereby agree that:
- 9.7.1 each successive seller of a Krugerrand Custodial Certificate will, as an indivisible obligation arising upon the sale of a Krugerrand Custodial Certificate, transfer and Deliver the seller's Allocated Krugerrand to another person to be identified in the Ownership Register by the Allocator through the application of the Allocation Algorithm. This person will not necessarily be the person who purchased the Krugerrand Custodial Certificate from the seller thereof;
- 9.7.2 each successive purchaser of a Krugerrand Custodial Certificate will accept Delivery of any Krugerrand allocated to that purchaser by the Allocator following the application of the Allocation Algorithm. The Krugerrand allocated to the purchaser will not necessarily be the same Krugerrand that was held by the seller;
- 9.7.3 the receipt by the Custodian of the updated Ownership Register on a weekly basis will serve as notice of the transfer of a particular Krugerrand to the Holder, such Krugerrand being the Allocated Krugerrand of the new Holder; and
- 9.7.4 as from the moment the Custodian receives the updated Ownership Register, the Custodian will cease to hold the Allocated Krugerrand on behalf of the seller of a Krugerrand Custodial Certificate and will hold such Krugerrand on behalf of the person identified by the Allocator through the application of the Allocation Algorithm, in the updated Ownership Register.
- 9.8 It is recorded that:
- 9.8.1 the objective of the tripartite agreement set out in clause 9.7 above is to ensure that ownership of the Krugerrand Delivered to the Holder of a Krugerrand Custodial Certificate will pass from the seller thereof to a purchaser of a Krugerrand Custodial Certificate when the Allocation Algorithm is applied on a weekly basis (subject to operational delays beyond its control);
- 9.8.2 the owner of a particular Krugerrand at any point in time will be the individual reflected in the most up-to-date Ownership Register held by the Custodian; and
- 9.8.3 the Krugerrand Delivered to the Holder of a Krugerrand Custodial Certificate will not necessarily be transferred by the seller of the relevant Krugerrand Custodial Certificate to the buyer of that Krugerrand Custodial Certificate.
10. **Procedure and cession of rights in circumstances where Krugerrands have not yet been manufactured or have been manufactured but not Delivered to the Custodian**
- 10.1 In circumstances where an Allocated Krugerrand has not yet been manufactured or has been manufactured but has not yet been Delivered to the Custodian (and has therefore not yet been Delivered to the Holder of a Krugerrand Custodial Certificate), the following procedure will apply:

- 10.1.1 after the initial sale of a Krugerrand Custodial Certificate by the Issuer, the Issuer will on T + 0 place an order for a Krugerrand with Rand Refinery and instruct Rand Refinery which Unique Number should be attached to such Krugerrand; and
- 10.1.2 on or before T+2, the Issuer will pay the purchase price for a Krugerrand to Rand Refinery. The Issuer will send a confirmation that payment has been made and the Unique Number of such Krugerrand to the JSE, whereupon the JSE shall deem the Krugerrand Custodial Certificates in issue and the number of Krugerrands to be Delivered pursuant thereto to be in balance for reporting purposes.
- 10.2 When the Krugerrand to be delivered pursuant to this clause 10 becomes available for delivery to the Holders and has been packed in its tamperproof plastic packaging (which has printed on it the relevant Krugerrand's Unique Number), it will be collected by the Custodian and Delivery to the Holder to whom the Krugerrand has been allocated will be effected.
- 10.3 In the circumstances referred to in clauses 10.1 and 10.2 (i.e. when the Krugerrand to be delivered has not yet been manufactured or has been manufactured but Delivery to the Custodian has not yet occurred), the Issuer hereby, in full discharge of its obligation to Deliver the Krugerrand to a Holder, cedes to the Holder to whom such Krugerrand has been allocated:
 - 10.3.1 the Issuer's right to have the Krugerrand manufactured by Rand Refinery (if applicable) and the right to receive delivery of the relevant manufactured Krugerrand from Rand Refinery; and
 - 10.3.2 any and all rights that the Issuer may have against Rand Refinery in respect of their failure to package and/or deliver the Krugerrand to the Issuer or the Custodian including, without limitation, the right to claim the return of the purchase price paid in respect of the relevant Krugerrand,

which cession the Holder hereby accepts.
- 10.4 It is recorded that, by virtue of the cession in clause 10.3, in the event that Rand Refinery fails to comply with its obligation to manufacture and/or deliver the Krugerrands ordered by the Issuer as contemplated by clause 10.1.1, the Holder will not have any rights of recourse against the Issuer if Rand Refinery is unable to comply with its obligations and the Holder hereby expressly waives and renounces any and all rights of recourse as against the Issuer.
- 10.5 When the Krugerrands to be manufactured pursuant to this clause 9 are manufactured and thus become available for Delivery to the Holders:
 - 10.5.1 the Krugerrand will be credited to the Issuer's allocated gold account with Rand Refinery;
 - 10.5.2 Rand Refinery (as agent of the Issuer) will deliver such Krugerrands to the Custodian (who will accept Delivery as agent of the Holder) as indicated in the most recent Ownership Register.
- 10.6 Delivery of a Krugerrand to a Holder to whom the Issuer's rights against Rand Refinery were ceded in terms of 10.3 above will extinguish by performance the relevant Holder's rights against Rand Refinery and any residual claim the Holder may have against the Issuer in respect of delivery of the Krugerrand.
- 10.7 The provisions of clause 10 do not preclude a Holder who has not yet obtained Delivery of his Allocated Krugerrand as contemplated in clause 10.5.2 from selling his Krugerrand Custodial Certificate on the JSE. Should a Holder do so, his obligation to Deliver a Krugerrand to a transferee determined by the Allocator as reflected in the Ownership Register is deemed fulfilled by the cession to that transferee of his rights against Rand Refinery on, *mutatis mutandis*, the basis set out in clause 9.2, *et. seq.* Cession of the rights on such basis will be deemed to occur on the delivery of the updated Ownership Register to the Custodian.
- 10.8 Without prejudice to the Issuer's discharge from any obligation to the Holder once the cession contemplated in clause 10.3 has taken place, and the Holder's sole reliance on the performance by Rand Refineries to obtain delivery of a Krugerrand as set out in clauses 10.4 takes effect, should Rand Refinery default in its obligation to deliver a Krugerrand to the relevant Holder, the

Issuer will in its sole discretion and without obligation, dispose to the extent that it is able to do so, of the relevant portion of the unallocated gold in its unallocated gold account held with Rand Refinery (if manufacture has not taken place) or the Krugerrands held in its allocated gold account (if manufacture has taken place) and pay to the Holders who have not obtained Delivery of a Krugerrand coin, a *pro rata* portion of the net proceeds of the sale of such gold. For the avoidance of doubt, it is recorded that the Issuer will not exercise the discretion it has in terms of this clause 10.8 in favour of a Holder that has received satisfactory compensation from Rand Refinery.

- 10.9 Upon receipt by a Holder of a *pro rata* portion of the net proceeds of the sale of gold as contemplated in clause 10.8, the relevant Holder will cede back to the Issuer any residual rights that the Holder may have against Rand Refinery as a consequence of the cession contemplated in clause 10.3.2.

11. **Reconciliation of records**

The records of the Issuer, the Allocator and the Custodian will be reconciled with those of STRATE on a daily basis to ensure that the number of Krugerrand Custodial Certificates in issue and Allocated Krugerrands as well as those Krugerrands which are in the process of being manufactured correspond at all times.

12. **Procedure in the event of mismatches**

- 12.1 Should there be a mismatch between the records of STRATE and the Custodian, the Custodian will relay the following information to the Issuer:
- 12.1.1 the number of Krugerrands unaccounted for; and
 - 12.1.2 the Unique Numbers of the unaccounted Krugerrands.
- 12.2 Upon receipt of this information, the Issuer will assess the quantum of the loss.
- 12.3 If the entire loss is less than R 3 million (Three Million Rand) calculated cumulatively over any previous losses covered by the Issuer as set out in clause 12 then the Issuer will replace the unaccounted for Krugerrands, thereby bringing the records of the Custodian and STRATE in balance again.
- 12.4 A confirmation by the Issuer that it will replace the unaccounted Krugerrands will be regarded as sufficient for the Custodian's and STRATE's records to be deemed to be in balance.
- 12.5 The replacement Krugerrands will be numbered sequentially from the last allocated Unique Numbers, and the Unique Numbers of the Krugerrands unaccounted for will be cancelled in the allocation register and replaced with the new Unique Numbers.

13. **Losses and Delisting of all Krugerrand Custodial Certificates**

- 13.1 The Issuer will make good all losses of Krugerrands held in custody by the Custodian (for which the Custodian is not liable, pursuant to the provisions of the Custody Agreement) howsoever those losses arise up to an amount of R3 million cumulatively for the period until the Maturity Date.
- 13.2 The Issuer will have the discretion, but not the obligation, to cover losses in excess of R 3 million.
- 13.3 The Holders of Krugerrands that have been replaced in accordance with the provisions of clause 12 or who have been compensated for their losses pursuant to this clause 13, hereby cede to the Issuer, with effect from the date of replacement of the Krugerrand, all rights of recourse they may have against the Custodian or any other party arising out of the loss or theft of Krugerrands held in custody by the Custodian.
- 13.4 Should the R 3 million limit be breached with a particular loss and the Issuer elects not to make good the losses above R3 million, then the Krugerrand Custodial Certificates will be delisted. Holders will be given reasonable notice acceptable to the JSE of the delisting in such circumstances.

- 13.5 In the event of a delisting in the circumstances contemplated in clause 13.4 occurring:
- 13.5.1 the specific Holders who were the owners of such Krugerrands prior to their being lost will suffer a loss. Such loss will not be aggregated among the general body of Holders but will be borne by the Holders of the lost Krugerrands;
 - 13.5.2 Holders who may be negatively affected as a result of lost Krugerrands hereby cede to the Issuer, with effect from the date of delisting, whatever rights of action they may have against the Custodian, Rand Refinery or any other relevant third party in respect of the loss they may suffer; and
 - 13.5.3 the Issuer will pay over to Holders who were negatively affected as a result of lost Krugerrands and who have ceded their rights of action to the Issuer in accordance with clause 13.5.2, the proceeds received from any successful enforcement action taken by the Issuer against the Custodian, Rand Refinery or any other relevant third party, after deducting from such proceeds the costs associated with such enforcement action: Provided however that the decision as to whether to enforce such rights and the manner of enforcement will be in the sole discretion of the Issuer. To the extent that the Issuer decides not to enforce its rights against the Custodian, Rand Refinery or any other relevant third party or fails to institute an enforcement action within 270 days of the date of delisting of the Krugerrand Custodial Certificates, the Issuer will cede the rights ceded to it by the Holders in terms of clause 13.5.2 back to such Holders so as to enable them to institute the requisite enforcement action themselves. Any actions by the Holders prior to actual formal institution of any legal proceedings must still be undertaken through the Issuer.
- 13.6 In addition to the Issuer's right to delist as contemplated in clauses 13.4 and 13.5, the Issuer may at any time that it determines that it is in its and/or the Holder's interests to do so, delist all Krugerrand Custodial Certificates. Holders will be given reasonable notice acceptable to the JSE of the delisting in such circumstances.
- 13.7 The Issuer may charge a redemption fee of up to 15 basis points plus VAT on redemptions of Krugerrand Custodial Certificates in terms of this clause, whether the Krugerrand coins are Collected or a cash settlement as provided for in this Contract takes place.

14. Collection of Krugerrands

- 14.1 Subject to the fulfilment of the Collection Condition, the Issuer shall use its reasonable commercial endeavours within 5 (five) Trading Days of receipt of the Collection Notice, to instruct the Custodian to allow Collection by a Holder of his Allocated Krugerrands, to which the relevant Collection Notice relates.
- 14.2 The Holder shall be bound to surrender to the Issuer, or its agent, as the Issuer may require, all the Krugerrand Custodial Certificates in respect of which that Holder is issuing a Collection Notice, in order that same may be delisted and cancelled or, in the event that Krugerrand Custodial Certificates are dematerialized, take such steps as may be necessary for the records of STRATE to reflect that the Holder has surrendered his Krugerrand Custodial Certificates to the Issuer in order that same may be delisted and cancelled.
- 14.3 The Issuer may decide, in its absolute discretion, in lieu of procuring the right of the Holder to Collect his Allocated Krugerrands, upon receipt by the Issuer of a completed and executed Collection Notice relating to a Block of Krugerrand Custodial Certificates, to pay an amount of cash equal to the value of the Krugerrand Custodial Certificates comprising the surrendered Block to the Holder. Such amount will be determined on the basis set out in clause 14.4. It is recorded that in such circumstances, the Issuer will be deemed to have purchased the Krugerrand Custodial Certificates in question. Ownership in respect of such Allocated Krugerrands will accordingly pass from the Holder to the Issuer as contemplated herein.
- 14.4 Should a Holder not Collect his Allocated Krugerrand within 3 months of being entitled to do so, the Issuer will sell such Allocated Krugerrand as the Holder's agent (for which purpose the Holder hereby appoints the Issuer as his/her/its agent) for an amount no less than the bullion value of the relevant Allocated Krugerrand at the London Bullion Market pm fix on the date the

sale transaction is entered into, converted to Rand at the published Reuters, Bloomberg (or other similar information system used by the Issuer) exchange rate at the said time, and pay the proceeds of such sale less any reasonable costs incurred by the Issuer (including costs incurred by the Issuer, should it be the purchaser of the Krugerrand coins, in subsequently disposing of them) over to the relevant Holder.

14.5 The Issuer may, in its absolute discretion, allow the provisions of this clause 14 to apply to less than a Block in a specific instance, or instances or in general, and may also withdraw any general concession previously allowed.

14.6 The Issuer may charge a redemption fee of up to 15 basis points plus VAT on redemptions of Krugerrand Custodial Certificates in terms of this clause, whether the Krugerrand coins are Collected or a cash settlement as provided for in this Contract takes place.

15. **Issuer's election and reset mechanism**

15.1 The Krugerrand Custodial Certificates will be delisted on the Maturity Date and all Holders will be entitled to Collect their Allocated Krugerrands, on *mutatis mutandis* the basis set out in clause 14 or, alternatively, elect that the Issuer dispose of their Krugerrands on their behalf as contemplated in clause 14.4. For the avoidance of doubt, it is recorded that no Collection Notice will be required in the circumstances contemplated in this clause 15.1.

15.2 Should the Issuer elect to do so and should it be able to negotiate acceptable terms with the Custodian and Rand Refinery, it will reset the Krugerrand Custodial Certificate on such basis as it deems appropriate, which may or may not be on the same terms as this Contract.

15.3 The following "reset" methodology (or such other methodology as may be stipulated by the Issuer at the time) will apply in the event of a reset:

15.3.1 On the Maturity Date, Holders will be given the option to roll their current Krugerrand Custodial Certificates into a new Krugerrand Custodial Certificates programme.

15.3.2 The offer will consist of a ratio of the existing holdings for new holdings as well as a cash portion payable to the Holder.

15.3.3 Subject to 15.3.2, if Holders elect to roll over their Krugerrand Custodial Certificates into a new Krugerrand Custodial Certificates programme, the same Krugerrands that they hold at the relevant time will be retained by them and re-allocated to them by the Allocator (excluding any Krugerrands that may have been sold in order to generate the cash portion payable to the Holder referred to in 15.3.2), such that they shall not dispose of any Allocated Krugerrands beyond those required to generate the cash portion.

15.4 The provisions of clause 15.3 are intended only to set out in principle the methodology to be followed, and the actual methodology followed will be determined by the Issuer, in consultation with the JSE and STRATE at the relevant time.

16. **Breach**

Neither the Issuer nor the Holder shall be entitled to cancel this Contract in the event of a breach of the Contract by the other of them and an aggrieved party's remedy shall be limited to a claim for specific performance and/or damages.

17. **Protection of personal information**

17.1 The Holder consents to the Issuer and any of the Issuer's affiliates, using, processing and storing the Holder's personal information which is provided to the Issuer. The personal information of the Holder includes all information that is necessary for the proper functioning and operation of the Delivery system contemplated in this Contract and the performance by the Issuer, the Holder, the Custodian, Rand Refinery, STRATE and the JSE of their respective obligations thereunder ("**Personal Information**").

17.2 The Issuer may disclose the Holder's Personal Information to carefully selected third parties, including the Custodian and Rand Refinery, for the purposes of this Contract.

- 17.3 The Issuer may disclose the Holder's Personal Information if under a legal duty to do so.
 - 17.4 The Issuer will store the Holder's Personal Information only for a reasonable time to enable the Issuer (and the selected third parties) to use it for the purposes described in this Contract.
 - 17.5 The Issuer shall take all precautions necessary to preserve the integrity of the Holder's Personal Information and to take reasonable steps against any destruction and/or unauthorised access, use, corruption or loss of the Holder's Personal Information as is required by any applicable data protection legislation.
 - 17.6 The Holder consents to the transfer Personal Information across the border of the Republic of South Africa.
18. **Responsibilities, Acknowledgements and Undertaking of the Holder**
- 18.1 Each Holder, in its capacity as purchaser, seller or owner of a Krugerrand Custodial Certificate and in its capacity transferor, transferee or owner of an Allocated Krugerrand, hereby agrees that:
 - 18.1.1 It has taken such legal, tax and accounting advice as it deems necessary;
 - 18.1.2 It accepts responsibility for any administrative and operational obligations imposed on it in terms of this Contract;
 - 18.1.3 It is aware of and will comply with the exchange control requirements and restrictions relating to the Krugerrand Custodial Certificates and Allocated Krugerrands, and specifically the restrictions on holding, purchasing, selling, exporting, importing, melting or otherwise utilizing Krugerrands;
 - 18.1.4 With the exclusion of the scenario contemplated in 13.5.3 where the Issuer cedes back to the Holder all rights of action against the Custodian and/or Rand Refineries to enable the Holder to institute the requisite enforcement action against the Custodian and/or Rand Refineries itself, all of the Holder's other dealings and interactions with the Custodian and with Rand Refineries will be conducted through the Issuer, and it will have no right to deal directly with them, and they will have no obligation to deal directly with it;
 - 18.1.5 It appoints the Issuer as its agent for all purposes under this Contract, and specifically for purposes of giving instructions to the Custodian to effect the transfer of Krugerrand Coins as contemplated herein when the Holder has bought or sold a Krugerrand Custodial Certificate. In acting as agent the Issuer will only be authorised to give effect to the provisions of this Contract, and where relevant on the specific instructions from the Holder, and it does not have any discretion or authority to perform any other acts as agent on behalf of Holders; and
 - 18.1.6 It agrees in all respects to the Delivery mechanism for the transfer for ownership of Allocated Krugerrands, and to give effect to the provisions thereof, as transferor or transferee, as contemplated herein.
19. **Limitation of Liability**
- 19.1 Except to the extent specifically provided for herein the Issuer will have no liability to the Holder for:
 - 19.1.1 the failure by the Custodian, STRATE or Rand Refineries to perform their obligations contemplated herein; and
 - 19.1.2 acts of fraud by third parties in respect of the identity of the Holder and his/her/its holdings.
 - 19.2 The Issuer will not be liable for any indirect or consequential losses or damages which the Holder may suffer.

20. **Issuer's right of cession**

Subject to the JSE's consent (if such consent is necessary), the Issuer shall without notice to the Holder be entitled to cede, delegate and/or assign all or any of its rights and/or obligations under this Contract to any other person.

21. **Other terms and conditions**

- 21.1 This Contract constitutes the whole agreement between the Issuer and the Holder relating to the subject matter hereof.
- 21.2 No amendment or consensual cancellation of this Contract or any provision or term thereof shall be binding unless recorded in a written document signed by the Issuer (or its duly appointed agent), provided that any amendment or consensual cancellation shall be effective if agreed to by a majority representing three-fourths in value of all Krugerrand Custodial Certificates then in issue, present in person or voting by proxy at a meeting of Holders called for that purpose by or on behalf of the Issuer by not less than 14 days' notice posted to Holders by registered mail.
- 21.3 To the extent permissible by law no party shall be bound by any express or implied term, representation, warranty, promise or the like not recorded (or incorporated by reference) herein, whether it induced the contract and whether it was negligent or not.
- 21.4 This Contract is governed by South African law. It is agreed that any dispute will be dealt with by the South African courts.
- 21.5 Obligations under this Contract are binding on all successors, executives, administrators or other legal representatives.

Annual Financial Information of Firststrand for the year ended 30 June 2014 (extracted from the annual report of FirstRand)



75	Directors' responsibility statement
76	Audit committee report
77	Independent auditors' report
78	Company secretary's certification
79	Directors' report
81	Risk and capital management report
191	Accounting policies
213	Income statement
214	Statement of comprehensive income
215	Statement of financial position
216	Statement of changes in equity
218	Statement of cash flows
219	Notes to the annual financial statements

DIRECTORS' RESPONSIBILITY STATEMENT

TO THE SHAREHOLDER OF FIRSTRAND BANK LIMITED

The directors of FirstRand Bank Limited are responsible for the preparation of the separate annual financial statements in terms of the Companies Act 71 of 2008. In discharging this responsibility, the directors rely on management to prepare the separate annual financial statements in accordance with International Financial Reporting Standards (IFRS) and for keeping adequate accounting records in accordance with the Bank's system of internal control. As such, the separate annual financial statements include amounts based on judgements and estimates made by management.

In preparing the separate annual financial statements, suitable accounting policies have been applied and reasonable estimates have been made by management. The directors approve significant changes to accounting policies. The financial statements incorporate full and responsible disclosure in line with the Bank's philosophy on corporate governance.

The directors are responsible for the Bank's system of internal control. To enable the directors to meet these responsibilities, the directors set the standards for internal control to reduce the risk of error or loss in a cost effective manner. The standards include the appropriate delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. The focus of risk management in the Bank is on identifying, assessing, managing and monitoring all known forms of risk across the Bank.

Based on the information and explanations given by management and the internal auditors, nothing has come to the attention of the directors to indicate that the internal controls are inadequate and that the financial records may not be relied on in preparing the separate annual financial statements in accordance with IFRS and maintaining accountability for the Bank's assets and liabilities. Nothing has come to the attention of the directors to indicate any breakdown in the functioning of internal controls, resulting in a material loss to the Bank, during the year and up to the date of this report. Based on the effective internal controls implemented by management, the directors are satisfied that the separate annual financial statements fairly present the state of affairs of the Bank at the end of the financial year and the net income and cash flows for the year. Jaco van Wyk, CA(SA), supervised the preparation of the financial statements for the year.

The directors have reviewed the Bank's budget and flow of funds forecast and considered the Bank's ability to continue as a going concern in light of current and anticipated economic conditions. The directors have reviewed the assumptions underlying these budgets and forecasts based on currently available information. On the basis of this review, and in light of the current financial position and profitable trading history, the directors are satisfied that the Bank has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

It is the responsibility of the Bank's independent external auditors, Deloitte & Touche and PricewaterhouseCoopers Inc., to report on the fair presentation of the annual financial statements. These annual financial statements have been audited in terms of section 29(1) of the Companies Act 71 of 2008. Their unqualified report appears on page 77.

The separate annual financial statements of the Bank, which appear on pages 78 to 79 and 191 to 359 and specified sections of the *risk and capital management report* were approved by the board of directors on 8 September, 2014 and are signed on its behalf by:



SE Nxasana
Chief executive officer

Sandton

8 September 2014



HS Kellan
Financial director

AUDIT COMMITTEE REPORT

The audit committee has satisfied itself that PricewaterhouseCoopers Inc. and Deloitte & Touche (the auditors) are independent and were able to conduct their audit functions without any influence from FirstRand Bank Limited. This conclusion was arrived at after taking into account the following:

- the representations made by the auditors to the audit committee;
- the auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefits from the company;
- the auditors' independence was not impaired by any consultancy, advisory or other work undertaken by them;
- the auditors' independence was not prejudiced as a result of any previous appointment as auditor; and
- the criteria specified for independence were met.

The audit committee has reviewed the annual report and recommended it to the board for approval.

On behalf of the audit committee.



JH van Greuning

Chairman, audit committee

Sandton

8 September 2014

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDER OF FIRSTRAND BANK LIMITED

We have audited the annual financial statements of FirstRand Bank Limited, set out on pages 191 to 359 which comprise the statement of financial position as at 30 June 2014, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 about 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 judgement, 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.

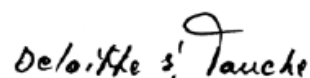
Opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of FirstRand Bank Limited as at 30 June 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act


As part of our audit of the financial statements for the year ended 30 June 2014, we have read the directors' report, the audit committee's report and the company secretary's certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.



Deloitte & Touche

Registered auditor
Per: Kevin Black
Partner



PricewaterhouseCoopers Inc.

Registered auditor
Director: Francois Prinsloo

Sandton

8 September 2014

COMPANY SECRETARY'S CERTIFICATION

DECLARATION BY THE COMPANY SECRETARY IN RESPECT OF SECTION 88(2)(e) OF THE COMPANIES ACT

I declare that, to the best of my knowledge, the company has lodged with the Registrar of Companies all such returns and notices as are required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.

A handwritten signature in black ink, appearing to read 'C Low'.

C Low

Company secretary

Sandton

8 September 2014

DIRECTORS' REPORT

NATURE OF BUSINESS

The activities of FirstRand Bank Limited include retail, commercial, corporate and investment banking and instalment finance.

SHARE CAPITAL

There were no changes to the issued ordinary share capital during the year.

Details of FirstRand Bank Limited's share capital are presented in note 26 of the financial statements.

DIVIDENDS

Ordinary cash dividends of R4 289 million were paid during the 2014 financial year (2013: R5 710 million).

Dividends of R192 million were paid on NCNR preference shares (2013: R196 million).

OWNERSHIP OF FIRSTRAND BANK LIMITED

FirstRand Bank Limited is a wholly-owned subsidiary of FirstRand Limited.

PROFIT AFTER TAX

Profit after tax amounted to R12 747 million (2013: R10 978 million).

FINANCIAL REPORTS

The financial statements have been prepared as outlined in note 2, basis of preparation, of the accounting policies.

LONG-TERM INCENTIVE SCHEMES

Details of the long-term incentive schemes established for the benefit of employees of the Bank by FirstRand Limited can be found in note 27 of the financial statements.

**accounting
policies, annual
financial
statements
and notes**

ACCOUNTING POLICIES

1 INTRODUCTION

The Bank adopts the following accounting policies in preparing its financial statements.

In the current year the Bank has applied a number of new and revised IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for accounting periods beginning on or after 1 January 2013. Except for the changes to accounting policies required by these new and revised IFRS as described in accounting policy 2, these policies have been consistently applied to all years presented.

2 BASIS OF PRESENTATION

The Bank's financial statements have been prepared in accordance with IFRS.

The Bank has prepared these separate financial statements for regulatory purposes. The Bank has also prepared consolidated financial statements in accordance with IFRS for the Bank and its subsidiaries (FirstRand Bank Limited).

In the consolidated financial statements, subsidiary undertakings (which are companies that FirstRand Bank Limited, directly or indirectly, has an interest of more than half of the voting rights or has power to exercise control over the operations) have been consolidated. The consolidated financial statements are available on pages 368 to 558 of this report.

Users of these separate financial statements should read these together with the FirstRand Bank Limited Group's financial statements in order to obtain a full understanding of the Bank's financial position and results of operations.

The following new and revised IFRS have been applied for the first time in the current financial year:

- The accounting requirements relating to defined benefit post-employment plans set out in *IAS 19 Employee Benefits* as amended in June 2011. The main changes include the removal of the corridor approach, which allowed entities the option to defer the recognition of actuarial gains and losses on these plans. The standard also contains revisions to the calculation of the amount included in profit or loss in respect of the return on plan assets and enhanced disclosure requirements for defined benefit plans. Refer to accounting policy 22 on defined benefit post-employment plans and accounting policy 30 for the impact of the change in accounting policy.
- A package of five standards on consolidation, joint arrangements, associates and disclosures was issued. These are *IFRS 10 Consolidated Financial Statements*, *IFRS 11 Joint Arrangements*, *IFRS 12 Disclosure of Interests in Other Entities*, *IAS 27 Separate Financial Statements (IAS 27R)* and *IAS 28 Investments in Associates and Joint Ventures (IAS*

28R). Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify the transitional provisions for the first time application of the standards. In the current financial year, the Bank applied the requirements of the new and revised standards, together with the amendments regarding the transitional guidance. Additional details are set out below:

- *IAS 27R replaces IAS 27 Separate and Consolidated Financial Statements*. The accounting and disclosure requirements for consolidated financial statements have been removed from IAS 27 as a result of the issues of IFRS 10 and IFRS 12, which establish new consolidation and disclosure requirements. IAS 27R contains the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates in separate financial statements. The majority of the requirements relating to separate financial statements were carried forward from the previous version of the standard and the amendments did not have a significant impact on the Bank.
- *IAS 28R replaces IAS 28 Investments in Associates* as a result of the issue of IFRS 11 and IFRS 12. IAS 28R prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28R also incorporates the guidance contained in *SIC 13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. The disclosure requirements relating to these investments are now contained in IFRS 12. The amendments do not impact the amounts reported in the Bank's financial statements as equity accounting is not applied in the separate financial statements.
- *IFRS 10 establishes one approach for determining consolidation of all entities based on concepts of power, variability of returns and their linkage*. The application of control will be applied irrespective of the nature of the investee. The Bank has control over an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The consolidation principles have remained unchanged and are now incorporated as part of IFRS 10. IFRS 10 supersedes a portion of IAS 27 and *SIC 12 Consolidation – Special Purpose Entities*. The implementation of IFRS 10 will impact the Bank's assessment of which entities it controls. Refer to accounting policy 30 for the impact of the adoption on the Bank's financial statements.
- *IFRS 11 supersedes IAS 31 Joint Ventures* and aims to improve the accounting principles that are applicable to all joint arrangements. The standard distinguishes between two types of joint arrangements namely, joint operations

and joint ventures. IFRS 11 places more focus on investors' rights and obligations than on the legal structure of the arrangement and hence accounts for the investors' interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint venturer has rights to the net assets of the arrangement and hence equity accounts for its interest. Refer to accounting policy 5 for joint arrangements and accounting policy 30 for the impact of the adoption on the Bank's financial statements.

- IFRS 12 aims to provide consistent disclosure requirements for all forms of interests in other entities, including joint arrangements, associates and consolidated or unconsolidated structured entities. IFRS 12 requires disclosure of information that will enable users to evaluate the nature of the risks associated with the interest and effect of the interest on the financial position, performance and cash flows of the reporting entity.
- *IFRS 13 Fair Value Measurement* was issued to eliminate inconsistencies in the guidance on how to measure fair value and disclosure requirements that exist under the different IFRS that require or permit fair value measurement. The revised measurement requirements did not have a significant impact on the net asset value of the Bank for the current financial year. The revised disclosure requirements of IFRS 13 have been incorporated in the notes to the annual financial statements for the year ended 30 June 2014. The requirements of IFRS 13 are applicable on a prospective basis and in terms of the transitional provisions no comparatives are required for the new disclosures. Therefore, no prior year amounts have been restated as a result of the adoption of IFRS 13 and comparative information has not been provided in the disclosures.
- The amendments to *IFRS 7 Financial Instruments: Disclosure* require entities to provide additional disclosures relating to recognised financial assets and financial liabilities that are set-off in accordance with paragraph 42 of *IAS 32 Financial Instruments: Presentation*. The additional disclosures include information about the gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards, and the related net credit exposure as well as information about the rights under enforceable master netting and similar arrangements. This amendment addresses disclosure in the annual financial statements only and does not affect the amount of offsetting applied to financial assets and financial liabilities in the Bank's statement of financial position.
- *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). The interpretation falls outside the scope of the Bank's operations and has no impact on the Bank.

- Certain amendments were issued to *IFRS 1 First-time Adoption of International Financial Reporting Standards* during March 2012. The amendment, dealing with loans received from governments at below market rate of interest, give first-time adopters of IFRS relief from full retrospective application of IFRS when accounting for these loans on transition. It provides the same relief to first-time adopters as is granted to existing preparers of IFRS financial statements when applying *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance*. The Bank is not a first-time adopter and this amendment has no impact on the Bank nor has it resulted in the restatement of prior year numbers.
- As part of its *Annual Improvements Project*, the IASB made amendments to a number of accounting standards. The annual improvements for the 2009 – 2011 cycle issued in May 2012 were adopted in the current financial year. These amendments did not have a significant impact on the Bank's results nor have they resulted in the restatement of prior year numbers.

The Bank has voluntarily changed the manner in which it presents interest expense that is incurred to fund the Bank's activities that earn fair value income, by reclassifying to fair value income. This change in presentation has had no impact on the net asset value or profit of the Bank and only affects classification on the income statement. The impact on previously reported results is set out in accounting policy 30.

The Bank prepares its financial statements in accordance with the going concern principle using the historical cost basis, except for the following assets and liabilities:

- financial assets and financial liabilities held for trading;
- financial assets classified as available-for-sale;
- derivative financial instruments;
- financial instruments elected to be carried at fair value through profit or loss; and
- employee benefit liabilities, valued using the projected unit credit method.

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 outlined in note 38.

All monetary information and figures presented in these financial statements are stated in millions of South African rand (R million), unless otherwise indicated.

3 SUBSIDIARY COMPANIES

Subsidiaries are all companies and structured entities in which the Bank is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether control exists the Bank considers all existing substantive rights that result in the current ability to direct relevant activities. Investments in subsidiary companies are recognised at cost less impairment losses.

4 ASSOCIATES

Associates are entities over which the Bank has significant influence but does not control or jointly control. The Bank is presumed to have significant influence where it has power over between 20% and 50% of the voting rights.

Investments in associates acquired and held exclusively with the view to dispose of in the near future (within 12 months) are not accounted for using the equity accounting method, but are measured at fair value less costs to sell in terms of IFRS 5.

The Bank recognises its interest in associates at cost less impairments.

5 JOINT ARRANGEMENTS

Joint arrangements are arrangements over which the Bank has joint control in terms of a contractual agreement with the other parties to the arrangement. Joint control exists only when decisions about the relevant activities of the arrangement require the unanimous consent of the parties sharing control.

A joint arrangement may either be a joint operation or a joint venture depending on the rights and obligations of the parties to an arrangement and the classification is based on the substance at inception. A joint operation is when the Bank and the other contracting parties have rights to the assets and assume responsibility for the liabilities of that arrangement. A joint venture is when the Bank and other contracting party parties have rights to the net assets of the arrangement.

Investments in joint ventures acquired and held exclusively with the view to dispose of in the near future (within 12 months) are not accounted for using the equity accounting method, but are measured at fair value less costs to sell in terms of IFRS 5.

The Bank recognises its interest in joint ventures at cost less impairments.

6 INTEREST INCOME AND EXPENSE

The Bank recognises interest income and expense in profit or loss for instruments measured at amortised cost using the effective interest method. The effective interest method is a method of

calculating the amortised cost of a financial asset or a financial liability by allocating the interest income or interest expense over the average expected life of the financial instruments or portfolios of financial instruments.

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 paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income on instruments designated at fair value through profit or loss are included in fair value income except to the extent that the interest relates to:

- the Bank's funding operations;
- items to which hedge accounting is applied; and
- interest on intercompany balances.

From an operational perspective, the Bank suspends the accrual of contractual interest on non-performing advances, subject to certain curing assumptions. However, in terms of IAS 39, interest income on impaired advances is recognised at the original effective interest rate.

Instruments with characteristics of debt, such as redeemable preference shares, are included in loans and advances or long-term liabilities as appropriate. Where these instruments are measured at amortised cost, dividends received or paid on these instruments are included in the cash flows used to determine the effective interest rate of the instrument.

7 FAIR VALUE GAINS AND LOSSES

The Bank includes profits or losses, fair value adjustments and interest on trading financial instruments (including derivative instruments that do not qualify for hedge accounting in terms of IAS 39), as well as trading related financial instruments designated at fair value through profit or loss, as fair value income in non-interest income. Trading related financial instruments designated at fair value through profit or loss exclude instruments relating to the Bank's funding requirements.

8 NET FEE AND COMMISSION INCOME

8.1 Fee and commission income

The Bank generally recognises fee and commission income on an accrual basis when the service is rendered.

Certain fees and transaction costs that form an integral part of the effective interest rate of available-for-sale and amortised cost financial instruments are capitalised and recognised as part of the effective interest rate of the financial instrument over the expected life of the financial instruments and not as non-interest income.

Fees and transaction costs that do not form an integral part of the effective interest rate are recognised as income when the outcome of the transaction involving the rendering of services can be reliably estimated as follows:

- fees for services rendered are recognised as fee and commission income on an accrual basis when the service is rendered, for example, banking fee and commission income, and asset management and related fees;
- fees earned on the execution of a significant act, for example, knowledge-based fee and commission income and non-banking fee and commission income, when the significant act has been completed; and
- commission income on bills and promissory notes endorsed is credited to profit or loss over the lives of the relevant instruments on a time apportionment basis.

8.2 Fee and commission expenses

Fee and commission expenses are expenses that are incremental or directly attributable to the generation of fee and commission income and are recognised in non-interest income. Fee and commission expenses include transaction and service fees, which are expensed as the services are received. Fee and commission expenses that form an integral part of the effective interest rate of a financial instrument are recognised as part of net interest income.

9 DIVIDEND INCOME

The Bank recognises dividend income when the Bank's right to receive payment is established. This is on the last day to trade for listed shares and on the date of declaration for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares, except to the extent that the scrip dividend is viewed as a bonus issue with no cash alternative and the transaction lacks economic significance.

10 FOREIGN CURRENCY TRANSLATION

10.1 Functional and presentation currency

The financial statements are presented in South African rand (R), which is the functional and presentation currency of the Bank.

10.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using 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 profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

Translation differences on both monetary and non-monetary items that are recognised at fair value through profit or loss, are reported as part of fair value gains or losses in non-interest income.

Translation differences on non-monetary items, such as equities, classified as available-for-sale, are reported as part of the fair value adjustment and are included in other comprehensive income. Changes in the fair value of monetary debt securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost and other changes in the fair value of the security. Translation differences relating to changes in the amortised cost are recognised in profit or loss and other changes in fair value are recognised in other comprehensive income.

Foreign exchange gains or losses on monetary items measured at amortised cost are recognised in profit or loss as part of foreign exchange differences within non-interest income.

10.3 Foreign operations

The results and financial position of all the Bank's foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the Bank are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the actual rates at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

Exchange differences arising from the transaction of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income.

When a foreign operation is sold or partially disposed of and control is lost, including partial disposals where the entity retains

an interest in the operation, the Bank's portion of the cumulative amount of the exchange differences relating to the foreign operation which were recognised in other comprehensive income, are reclassified from other comprehensive income to profit or loss when the gain or loss on disposal is recognised.

For partial disposals where control is retained, the Bank re-attributes the proportionate share of the cumulative exchange differences in other comprehensive income to the non-controlling interests of the foreign operation.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

11 BORROWING COSTS

The Bank capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset up to the date on which construction or installation of the assets is substantially completed. Other borrowing costs are expensed when incurred.

12 TAXATION

12.1 Indirect tax

Indirect tax is disclosed separately from income tax in the income statement. Indirect tax includes other taxes paid to central and local governments, including value added and securities transfer tax.

12.2 Income tax

Income tax includes South African and foreign corporate tax payable and where applicable, this includes capital gains tax. The current income tax expense is calculated by adjusting the net profit for the year for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date, in each particular jurisdiction within which the Bank operates.

13 RECOGNITION OF ASSETS

13.1 Assets

The Bank recognises assets when it obtains control of a resource as a result of past events, and from which future economic benefits are expected to flow to the entity.

13.2 Contingent assets

The Bank discloses a contingent asset where, as a result of past events, it is highly likely that economic benefits will flow to the Bank, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Bank's control.

13.3 Managed funds and trust activities

Certain divisions within the Bank engage in trust or other fiduciary activities that result in the managing of assets on behalf of clients. The Bank excludes these assets and liabilities from the statement of financial position as these are not assets and liabilities of the Bank but of the client.

However, fee income earned and fee expenses incurred by the Bank relating to these activities are recognised in fee and commission income in the period to which the service relates.

14 LIABILITIES, PROVISIONS AND CONTINGENT LIABILITIES

14.1 Liabilities and provisions

The Bank recognises liabilities, including provisions, when:

- it 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 upon settlement is determined by considering the class of the 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 discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Bank has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

14.2 Contingent liabilities

The Bank discloses a contingent liability when:

- it has a possible obligation arising from past events, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or

- it has a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

15 CASH AND CASH EQUIVALENTS

In the statement of cash flows, cash and cash equivalents comprise:

- coins and bank notes;
- money at call and short notice; and
- balances with central banks.

All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition.

16 FINANCIAL INSTRUMENTS

16.1 General

Financial instruments carried on the statement of financial position include all assets and liabilities, including derivatives but exclude investments in associates and joint ventures, commodities, property and equipment, assets and liabilities of insurance operations, deferred tax, tax payable, intangible assets, post-employment liabilities, provisions and certain non-current assets. The Bank recognises a financial asset or a financial liability on its statement of financial position when it becomes a party to the contractual provisions of the instrument.

The Bank classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial liabilities are classified in the following categories:

- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

Management determines the classification of its financial instruments at initial recognition.

Financial instruments are initially recognised at fair value plus transaction costs for all financial instruments not carried at fair value through profit or loss.

Available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently measured at fair

value. Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment.

The Bank recognises purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) at settlement date, which is the date the asset is delivered or received.

16.1.1 Financial instruments at fair value through profit or loss

This category has two subcategories: financial instruments held for trading and those designated at fair value through profit or loss on initial recognition.

A financial instrument is classified as a trading instrument if acquired principally for the purpose of selling in the short term or if it forms part of a portfolio of financial assets for which there is evidence of short-term profit taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments in an effective hedging relationship.

Financial assets and financial liabilities are designated on initial recognition as at fair value through profit or loss to the extent that it produces more relevant information because it either:

- i. results in the reduction of a measurement inconsistency (or accounting mismatch) that would arise as a result of measuring assets and liabilities and the associated gains and losses on a different basis;
- ii. the group of financial assets and/or financial liabilities is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the assets and/or liabilities is provided internally to the entity's key management personnel; or
- iii. is a financial asset or liability containing significant embedded derivatives that clearly require bifurcation.

The main financial assets and financial liabilities designated at fair value through profit or loss under (i) are various advances to customers, structured notes and other investments held by the investment banking division. These financial instruments have been designated at fair value through profit or loss to eliminate the accounting mismatch between these assets and the underlying derivatives used to manage the risk arising from these assets. If the assets were not designated at fair value through profit or loss, a mismatch would arise as a result of the assets being recognised at amortised cost and the related derivatives being recognised at fair value.

Financial instruments designated under (ii) include certain private equity and other investment securities.

Gains and losses arising from changes in the fair value of the financial instruments at fair value through profit or loss are included in profit or loss as fair value gains or losses in the period in which they arise.

16.1.2 *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Bank intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- those that the Bank upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.

This category also includes purchased loans and receivables, where the Bank has not designated such loans and receivables in any of the other financial asset categories.

16.1.3 *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. If the Bank sells more than an insignificant amount of held-to-maturity investments, the entire category is considered to be tainted and reclassified as available-for-sale.

The Bank measures held-to-maturity investments at amortised cost using the effective interest method, less any impairment.

16.1.4 *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The Bank recognises gains and losses arising from changes in the fair value of available-for-sale financial assets in other comprehensive income. It recognises interest income on these assets as part of interest income, based on the instrument's original effective interest rate using the effective interest method. Dividends on available-for-sale equity instruments are recognised in profit or loss when the entity's right to receive payment is established and are included in gains less losses from investing activities.

When the available-for-sale assets are disposed of or impaired, the related accumulated fair value adjustments are reclassified from other comprehensive income and included in profit or loss as gains less losses from investing activities.

Treasury bills, debt securities and equity shares intended to be held on a continuing basis, other than those designated at fair value through profit or loss, are classified as available-for-sale.

16.1.5 *Classification of financial liabilities, equity instruments and compound financial instruments*

The Bank classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. If a financial instrument includes a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities on potentially unfavourable terms, such as redeemable preference shares, the financial instrument is classified as a financial liability. An instrument is classified as equity if it evidences a residual interest in the assets of the Bank after the deduction of liabilities.

Compound instruments are those financial instruments that have components of both financial liabilities and equity. At initial recognition the compound financial instruments are split into their separate components and accounted for as financial liabilities or equity as appropriate. The Bank separately measures and recognises the fair value of the debt component of an issued convertible bond as a financial liability, with the residual value allocated to equity.

The initial fair value of the debt component is recognised at the fair value of a similar non-convertible instrument. The equity component is recognised initially as the difference between the fair value of the compound instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their carrying values.

16.1.6 *Measurement of financial liabilities*

Financial liabilities are measured at amortised cost, except for certain liabilities that are designated as at fair value through profit or loss. Interest expense is recognised in profit or loss over the period of the borrowing using the effective interest method. Refer to accounting policies 6 and 7 for the accounting treatment applied to interest expense and fair value gains or losses respectively.

The Bank calculates interest on the liability component of compound financial instruments based on the market rate for a similar non-convertible instrument at the inception thereof.

16.2 *Offsetting of financial instruments*

The Bank offsets financial assets and financial liabilities and reports the net balance in the statement of financial position where:

- there is a legally enforceable right to set off; and
- there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

16.3 Embedded derivatives

The Bank treats derivatives embedded in other financial or non-financial instruments, such as the conversion option in a convertible bond that is held by the Bank, as separate derivatives when:

- risks and characteristics are not closely related to those of the host contract;
- the definition of a derivative is met; and
- the host contract is not carried at fair value through profit or loss.

Where embedded derivatives meet the criteria for hedge accounting, these are accounted for in terms of the applicable hedge accounting rules.

16.4 Derecognition

The Bank derecognises a financial asset when:

- the contractual rights to the asset expires; or
- there is a transfer of the contractual rights to receive the cash flows of the financial asset and substantially all of the risks and rewards related to the ownership of the financial asset are transferred; or
- the Bank retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and rewards associated with the asset.

Where the Bank retains substantially all the risks and rewards of ownership of the financial asset, the Bank continues to recognise the financial asset in its entirety and recognises a financial liability for the consideration received. These financial assets and the related financial liabilities may not be offset.

Where the Bank neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Bank determines whether it has retained control of the financial asset. In this case:

- if the Bank has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer; or
- if the Bank has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The Bank derecognises a financial liability, or part of a financial liability, when it is extinguished, i.e. when the obligation is discharged

or cancelled or expired. A substantial modification to the terms and conditions of an existing financial liability or part of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new one. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

Where the Bank purchases its own debt, the debt is derecognised from the statement of financial position and any difference between the carrying amount of the liability and the consideration paid is included in fair value income.

16.5 Sale and repurchase agreements and securities lending

The financial statements reflect securities sold subject to a linked repurchase agreement (repos) as trading or investment securities. The counterparty liability is included in deposits held under repurchase agreements. These financial liabilities are either measured at fair value or amortised cost in line with IAS 39.

Securities purchased under agreements to resell (reverse repos) are not recorded but the related advances relating to the repurchase transactions are recognised as advances under agreements to resell. These financial assets are either measured at fair value or amortised cost in line with IAS 39. The difference between the purchase and resale price is in substance interest and recognised in accordance with the Bank's policy for net interest income.

Securities lent to counterparties under securities lending arrangements are retained as trading and investment securities. Any deposits arising from cash collateral provided by the counterparties are recognised as deposits under securities lending arrangements and are measured at either fair value or amortised cost in accordance with IAS 39.

The Bank does not recognise securities borrowed in the financial statements, unless they are on sold to third parties, in which case the obligation to return these securities is recognised as a financial liability at fair value with any gains or losses included in fair value income.

16.6 Impairments of financial assets

16.6.1 General

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

16.6.2 Assets carried at amortised cost

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or a group of financial assets

are impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event(s) has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets and the impact can be reliably estimated.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Bank about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable 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 allocated to the individual financial assets in the group, including:
 - adverse changes in the payment status of issuers or debtors in the group; or
 - national or local economic conditions that correlate with defaults on the assets in the group.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and performs a collective assessment for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether the Bank elects to foreclose or not.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics i.e. on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for groups of such financial assets by being indicative of the debtors' ability to pay all amounts due in accordance with the contractual terms of the financial assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current 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 exist currently.

Estimates of changes in future cash flows for groups of financial assets reflect and are directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are regularly reviewed by the Bank to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance account. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Past due advances

Advances are considered past due in the following circumstances:

- loans with a specific expiry date (e.g. term loans etc.) and consumer loans repayable by regular instalments (e.g. mortgage

loans and personal loans) are treated as overdue where one full instalment is in arrears for one day or more and remains unpaid at the reporting date; or

- loans payable on demand (e.g. overdrafts) are treated as overdue where a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction.

In these instances, the full outstanding amount is considered overdue even if part of it is not yet due.

The past due analysis is only performed for advances with specific expiry or instalment repayment dates or demand loans that have been demanded. The analysis is not applicable to overdraft products or products where no specific due date is determined. The level of risk on these types of products is assessed with reference to the counterparty ratings of the exposures and reported as such.

Renegotiated advances

Financial assets that would otherwise be past due that have been renegotiated, are separately classified as neither past due nor impaired assets. Renegotiated advances are advances where, due to deterioration in the counterparty's financial condition, the Bank granted a concession where the original terms and conditions of the facility were amended and the counterparty is within the new terms of the advance. Advances are only classified as renegotiated if the terms of the renegotiated contract have not yet expired and remain classified as such until the terms of the renegotiated contract expire. Where the advances are reclassified as neither past due nor impaired, the adherence to the new terms and conditions is closely monitored. Renegotiated advances excludes advances extended or renewed as part of the ordinary course of business for similar terms and conditions as the original. Non-performing advances cannot be reclassified as performing unless the arrears balance has been repaid. Renegotiated but current financial assets are considered as part of the collective evaluation of impairment where financial assets are grouped on the basis of similar credit risk characteristics.

Reposessed assets

In certain circumstances, assets are reposessed following the foreclosure on loans that are in default. Reposessed assets are measured at the lower of cost or net realisable value. The Bank recognises reposessed assets as part of accounts receivable in the statement of financial position.

16.6.3 Available-for-sale financial assets

The Bank assesses at each reporting date whether there is objective evidence that an available-for-sale financial asset or a group of available-for-sale financial assets is impaired.

In the case of equity investments classified as available-for-sale, objective evidence of impairment includes information about

significant changes with an adverse effect on the environment in which the issuer operates and indicates that the cost of the investment in the equity instrument may not be recovered and a significant or prolonged decline in the fair value of the security below its cost. If any such objective evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any previously recognised impairment loss on that financial asset is reclassified from other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not subsequently reversed.

In the case of a debt instrument classified as available-for-sale the same objective evidence of impairment as for financial assets measured at amortised cost is considered in determining if an impairment exists. The difference between the acquisition cost and the current fair value less any previous impairment losses recognised in profit or loss is removed from other comprehensive income and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

16.7 Derivative financial instruments and hedging

The Bank initially recognises derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other derivative financial instruments, in the statement of financial position at fair value. Derivatives are subsequently measured at fair value with all movements in fair value recognised in profit or loss, unless it is a designated and effective hedging instrument.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Bank designates certain derivatives as either:

- hedge of the fair value of recognised assets, liabilities or firm commitments (fair value hedge); or
- hedge of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

The hedge of a foreign currency firm commitment can either be accounted for as a fair value or a cash flow hedge.

Hedge accounting is used for derivatives designated in this way, provided certain criteria are met.

The Bank documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions at the inception

of the transaction. The Bank also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

16.7.1 Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as hedging instruments in fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The interest accrued or paid relating to interest rate swaps and the hedged items are reflected in interest income or interest expense. Effective changes in fair value of currency futures are reflected in non-interest income. Other gains or losses, including the ineffective portion of all fair value hedges, are recorded as fair value income in non-interest income.

If the hedge of an instrument carried at amortised cost no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of the hedged item is amortised to profit or loss based on a recalculated effective interest rate over the residual period to maturity, unless the hedge item has been derecognised, in which case it is released to profit or loss immediately. However if the hedge of an equity instrument carried at fair value no longer meets the criteria for hedge accounting, the cumulative adjustment of the carrying amount of a hedged equity instrument remains in retained earnings until disposal.

16.7.2 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated as hedging instruments in effective cash flow hedges is recognised in the cash flow hedge reserve in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately as part of fair value gains or losses in non-interest income in profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in the cash flow hedge reserve at that time remains in other comprehensive income and is recognised when the forecast transaction is recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately reclassified to profit or loss.

Amounts accumulated in other comprehensive income are reclassified to profit or loss in the periods in which the hedged item affects profit or loss. Where the forecast transaction or a foreign currency firm commitment results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in other comprehensive income are reclassified from other comprehensive income and included in the initial measurement of the cost of the non-financial asset or liability.

For financial assets and financial liabilities, if the risk being hedged is interest rate risk, the amounts are included in interest income or interest expense when reclassified to profit or loss. The amount recognised in profit or loss for other risks relating to financial assets and financial liabilities is recognised in non-interest income as fair value gain or loss.

17 COMMODITIES

When the Bank acquires commodities and has a short-term trading intention, commodities are measured at fair value less costs to sell in accordance with the broker trader exemption in IAS 2. Changes in fair value are recognised in non-interest income as fair value gains or losses.

Where the Bank has a longer term investment intention, commodities are measured at the lower of cost or net realisable value. Cost is determined using the weighted average method and excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of commodities includes the amount of gains or losses on qualifying cash flow hedges previously recognised in other comprehensive income.

Forward contracts to purchase or sell commodities where net settlement occurs, or where physical delivery occurs and the commodities are held to settle a further derivative contract, are recognised as derivative instruments measured at fair value through profit or loss.

18 PROPERTY AND EQUIPMENT

The Bank carries property and equipment at historical cost less accumulated depreciation and impairment losses, except for land which is carried at cost less impairment. Historical cost includes expenses that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's 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 reliably measured. The carrying amount of any replacement part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Leasehold improvements are all improvements made to property which the Bank leases under an operating lease in order to prepare the property for its intended use and from which the Bank is expected to benefit for more than one year. Leasehold improvements are capitalised as property and equipment.

Property and equipment is depreciated on a straight line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives.

Freehold properties and properties held under finance leases are broken down into significant components and depreciation calculated based on the expected useful lives of these components.

The assets' residual values and expected useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposals are determined by reference to the carrying amount of the asset and the net proceeds received, and are recorded in profit or loss on disposal.

19 LEASES

19.1 The Bank is the lessee

19.1.1 Finance leases

The Bank classifies leases as finance leases where it assumes substantially all the risks and rewards of ownership. Finance leases are capitalised as assets at the fair value of the leased asset at the inception of the lease, or, if lower, at the estimated present value of the underlying lease payments. The Bank allocates each lease payment between the liability and finance charges to achieve a constant rate on the balance outstanding. The interest component of the finance charge is recognised in profit or loss over the lease period in interest expense. The property and equipment acquired are depreciated over the useful life of the assets, unless it is not probable that the Bank will take ownership of the assets, in which case the assets are depreciated over the shorter of the useful life of the asset or the lease period, on a basis consistent with similar owned property and equipment.

19.1.2 Operating leases

The Bank classifies leases as operating leases if the lessor effectively retains the risks and rewards of ownership of the leased asset. The Bank recognises operating lease payments as an operating expense in profit or loss on a straight line basis over the period of the lease. Contingent rentals are expensed in the period incurred. Minimum rentals due after year end are disclosed as commitments.

The Bank recognises as an expense any penalty payment to the lessor for early termination of an operating lease in the period in which termination takes place.

19.2 The Bank is the lessor

19.2.1 Finance leases

The Bank recognises as advances, assets sold under a finance lease at the present value of the lease payments receivable. The

difference between the gross receivable and the present value of the receivable represents unearned finance income. Unearned finance income is recognised as interest income over the term of the lease using the effective interest rate method, which reflects a constant periodic rate of return.

19.2.2 Operating leases

The Bank includes assets held under operating lease as a separate category of property and equipment. The Bank depreciates these assets over their expected useful lives on a basis consistent with similar owned property and equipment. Rental income is recognised as other non-interest income on a straight line basis over the lease term.

19.3 Instalment credit agreements

The Bank regards instalment credit agreements as financing transactions and includes the total rentals and instalments receivable, less unearned finance charges, in advances.

The Bank calculates finance charges using the effective interest rates as detailed in the contracts and credits finance charges to interest income in proportion to capital balances outstanding.

20 INTANGIBLE ASSETS

20.1 Goodwill

Goodwill that arises in a business combination transaction and goodwill previously recognised by a business acquired by the Bank is included as part of the Bank's intangible assets. IFRS 3 defines a business as an integrated set of activities and assets that are capable of being conducted and managed for the purposes of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members or participants. The Bank measures goodwill that arises on the acquisition of a business as the excess of any consideration transferred over the Bank's share of the fair value of the net assets of the acquired business.

20.2 Computer software development costs

The Bank expenses computer software development costs in the financial period incurred. However, where computer software development costs can be clearly associated with a strategic and unique system which will result in a benefit for the Bank exceeding the costs incurred for more than one financial period, the Bank capitalises such costs and recognises an intangible asset.

The Bank carries capitalised software assets at cost less accumulated amortisation and any impairment losses. It amortises these assets on a straight line basis at a rate applicable to the expected useful life of the asset.

20.3 Other intangible assets

The Bank expenses the costs incurred on internally generated intangible assets, such as trademarks, patents and similar rights

and assets, to profit or loss in the period in which the costs are incurred. The costs incurred on the development of separately identifiable internally generated intangible assets, are capitalised by the Bank if:

- the Bank is able to demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- it is the Bank's intention to complete the intangible asset and use or sell it;
- the Bank will be able to use or sell the intangible asset;
- it is probable that the intangible asset will generate future economic benefits;
- adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset can be reliably measured.

The Bank capitalises material acquired trademarks, patents and similar rights where it will receive a benefit from these intangible assets in more than one financial period.

The Bank carries capitalised trademarks, patents and similar assets at cost less accumulated amortisation and any impairment. It amortises these assets at a rate applicable to the expected useful life of the asset.

20.4 Impairment of intangible assets

Management reviews the carrying value of intangible assets whenever objective evidence of impairment exists. An impairment loss is immediately recognised in profit or loss as part of operating expenses when the carrying value is greater than the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.

20.5 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

21 DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not provided on temporary differences that arise on the initial recognition of an asset or liability in a transaction other than a business combination that, at

the time of the transaction, affects neither accounting profit or loss nor taxable income. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. The Bank recognises deferred income tax assets if it is probable that future taxable income will be available against which the unused tax losses can be utilised.

Temporary differences arise primarily from depreciation of property and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions for pensions and other post-employment benefits and tax losses carried forward. The Bank reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Bank and it is probable that the difference will not reverse in the foreseeable future.

Deferred income tax related to fair value remeasurement of available-for-sale financial assets and derivatives designated as hedging instruments in effective cash flow hedges, which are recognised directly in other comprehensive income, is also recognised directly to other comprehensive income. Deferred tax recognised directly in other comprehensive income is subsequently reclassified to profit or loss at the same time as the related gain or loss.

Current and deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and these relate to income taxes levied by the same tax authority on the same taxable entity. If the balances relate to the same tax authority but different tax entities, the Bank will offset only if it has a legally enforceable right and, the entities intend to settle on a net basis or the tax assets and liabilities will be realised simultaneously.

22 EMPLOYEE BENEFITS

22.1 Post-employment benefits

The Bank operates defined benefit and defined contribution schemes, the assets of which are held in separate trustee administered funds. A defined contribution plan is one under which the Bank pays a fixed contribution and has no legal or constructive obligation to pay further contributions. All post-employment plans that do not meet the definition of a defined contribution plan are defined benefit plans.

For defined benefit plans the Bank recognises the contributions as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

The defined benefit plans are funded by contributions from employees and the Bank, taking into account the recommendations of independent qualified actuaries. The amount recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Where the value is a net asset the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments required to settle the obligation resulting from employee service in current and prior periods. The discount rate used is the rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. In the absence of a deep and liquid bond market the rates on government bonds are used.

The fair value of the plan assets is calculated using the Bank's accounting policies and estimates and assumptions for similar assets. Where the plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits under the plan the fair value is deemed to be the present value of the related obligation. If the qualifying insurance policy has a limit of indemnity the fair value of the insurance policy is limited to that amount.

The following items are included in profit or loss as part of staff costs:

- current service costs calculated on the projected unit credit method;
- past service costs relating to plan amendments made in the current period;
- gains or losses on curtailments that took place in the current period; and
- net interest income calculated by applying the discount rate at the beginning of the period to the net asset or liability.

All other remeasurements in respect of the obligation and the plan assets, including actuarial gains or losses are recognised in other comprehensive income. The remeasurements recognised in other comprehensive income will not be reclassified to profit or loss.

These funds are registered in terms of the Pension Funds Act, 1956, and membership of the pension fund is compulsory for all Bank employees.

22.2 Termination benefits

The Bank recognises termination benefits as a liability in the statement of financial position and as an expense in profit or loss when it has a present obligation relating to termination. The Bank has a present obligation at the earlier of when the Bank can no longer withdraw the offer of the termination benefit and when the Bank recognises any related restructuring costs.

22.3 Leave pay provision

The Bank recognises in full employees' rights to annual leave entitlement in respect of past service.

22.4 Bonuses

The Bank recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid and the amount can be reliably measured. The expense is included in staff costs.

23 SHARE CAPITAL

23.1 Share issue costs

Instruments issued by the Bank are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly related to the issue of new shares or options are shown as a deduction from equity, net of any related tax benefit.

23.2 Dividends paid

Dividends on ordinary shares and NCNR preference shares are recognised against equity and a corresponding liability is recognised when they have been appropriately approved by the company's shareholders and are no longer at the discretion of the entity. Dividends declared after the reporting date are not recognised but disclosed as a post-reporting date event.

23.3 Distributions of non-cash assets to owners

The Bank measures the liability to distribute the non-cash assets as a dividend to owners at the fair value of the asset to be distributed. The carrying amount of the dividend payable is remeasured at the end of each reporting period and on settlement date, with changes recognised in equity as an adjustment to the distribution. The difference between the carrying amount of the assets distributed and the fair value of the assets on the date of settlement is recognised in profit or loss for the period.

Distributions of non-cash assets under common control are specifically excluded from the scope of IFRIC 17 and are measured at the carrying amount of the assets to be distributed.

23.4 Treasury shares

Where the Bank purchases its own equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity as treasury shares until they are reissued or sold. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental costs, is included in shareholders' equity.

24 SEGMENT REPORTING

An operating segment is a component of the Bank that engages in business activities from which the Bank may earn revenue and incur expenses. An operating segment is also a component of the Bank whose operating results are regularly reviewed by the chief operating decision maker in allocating resources, assessing its performance and for which discrete financial information is available. The CEO of the Bank has been identified as the Bank's chief operating decision maker. The Bank identification and measurement of operating segments is consistent with the internal reporting provided to the CEO. The operating segments have been identified and classified in a manner that reflects the risks and rewards related to the segments' specific products and services offered in their specific markets.

Operating segments whose total segment revenue, absolute profit or loss for the period or total assets are 10% or more of all the segments revenue, profit or loss or total assets, are reported separately.

Assets, liabilities, revenue or expenses that are not directly attributable to a particular segment are allocated between segments where there is a reasonable basis for doing so. The Bank accounts for the intersegment revenues and transfers as if the transactions were with third parties at current market prices.

Funding is provided to business units and segments based on internally derived transfer pricing rates taking into account the funding structures of the Bank.

25 SHARE-BASED PAYMENT TRANSACTIONS

The Bank operates equity settled and cash settled share-based compensation plans.

For share-based payment transactions that are settled in the equity of the parent or another group company or settled in cash where the amount is based on the equity of the parent or another group company, the Bank measures the goods or services received as either an equity settled or cash settled share-based payment transaction by assessing the nature of the awards and its own rights and obligations.

The Bank measures the goods or services received as an equity settled share-based payment transaction when:

- the awards granted are its own equity instruments; or
- the entity has no obligation to settle the share-based payment transaction.

In all other circumstances, the Bank measures the goods or services received as a cash settled share-based payment transaction.

Where group transactions involve repayment arrangements that require the Bank to pay another group entity for the provision of a share-based payment, the intragroup repayment arrangements do not affect the classification of the share-based payment transaction as cash or equity settled.

25.1 Equity settled share-based compensation plans

The Bank expenses the fair value of the employee services received in exchange for the grant of options, over the vesting period of the options, as employee costs, with a corresponding credit to a share-based payment reserve in the statement of changes in equity. The total value of services received is calculated with reference to the fair value of the options on grant date.

The fair value of the options is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each balance sheet date, the Bank revises its estimate of the number of options expected to vest. The Bank recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to the share-based payment reserve.

Amounts recognised for services received if the options granted do not vest because of failure to satisfy a vesting condition, are reversed through profit or loss. If options are forfeited after the vesting date, an amount equal to the value of the options forfeited is debited against the share-based payment reserve and credited against retained earnings in the statement of changes in equity.

The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

25.2 Cash settled share-based payment compensation plans

The Bank measures the services received and liability incurred in respect of cash settled share-based payment plans at the current fair value of the liability. The Bank remeasures the fair value of the liability at each reporting date until settled. The liability is recognised over the vesting period and any changes in the liability are recognised in profit or loss.

26 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This classification is only used if the sale is highly probable and the non-current assets or disposal groups are available for immediate sale.

Immediately before classification as held for sale, the carrying amount of the non-current assets and liabilities included in the disposal group are measured in accordance with the appropriate IFRS. On initial recognition as held for sale, the non-current assets and liabilities that are in the measurement scope of IFRS 5 are recognised at the lower of carrying amount and fair value less costs to sell.

The following assets are excluded from the measurement scope of IFRS 5:

- deferred tax assets;
- assets arising from employee benefits;
- financial assets;
- investment properties measured at fair value;
- biological assets measured at fair value less costs to sell; and
- contractual rights under insurance contracts.

When these assets are classified as non-current assets held for sale or form part of a disposal group held for sale they continue to be measured in accordance with the appropriate IFRS. The IFRS 5 presentation and disclosure requirements are applied to these assets.

Any impairment losses on initial classification as held for sale are recognised in profit or loss. If a disposal group contains assets that are outside of the measurement scope of IFRS 5, any impairment loss is allocated to those non-current assets within the disposal group that are within the measurement scope of IFRS 5.

After initial recognition as held for sale the non-current assets are measured at fair value less costs to sell. Where the fair value less costs to sell is less than the carrying value, any additional impairment losses are recognised in profit or loss. Any increases in fair value less costs to sell are only recognised when realised.

The non-current assets and disposal groups held for sale will be reclassified immediately when there is a change in intention to sell. Subsequent measurement of the asset or disposal group at that date will be the lower of:

- its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale; and
- its recoverable amount at the date of the subsequent decision not to sell.

27 DISCONTINUED OPERATIONS

The Bank classifies a component of the business as a discontinued operation when that component has been disposed of, or is classified as held for sale, and:

- it represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

A component of the Bank comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes from the rest of the Bank.

28 CUSTOMER LOYALTY PROGRAMMES

The Bank operates a customer loyalty programme in terms of which it undertakes to provide goods and services to certain customers. The reward credits are accounted for as a separately identifiable component of the fee and commission income transactions. The consideration allocated to the reward credits is measured at the fair value of the reward credit and recognised over the period in which the customer utilises the reward credits.

Expenses relating to the provision of the reward credits are recognised as fee and commission expenses as incurred.

29 SERVICE CONCESSION ARRANGEMENTS

Service concession arrangements are recognised if the Bank acts as an operator in the provision of public services. Where the Bank has a contractual right to recover the amount receivable in respect of the arrangements from the government organisation, the amount receivable is classified as a financial asset and is accounted for in terms of the Bank's accounting policy for financial assets. Alternatively, where the Bank is entitled to collect monies for usage from the public, the Bank recognises an intangible asset. The intangible asset is measured in accordance with the Bank's accounting policy for intangible assets and amortised over its useful life. Fee income earned from public usage is included in fee and commission income as it is receivable.

30 RESTATEMENT OF PRIOR YEAR NUMBERS

30.1 Description of restatements

IFRS 10; IFRS 11; IFRS 12; IAS 27R and IAS 28R

Under IFRS 10 there is one approach for determining consolidation of all entities based on concepts of power; variability of returns and their linkage. The application of control will be applied irrespective of the nature of the investee. The Bank has control over an investee when the Bank is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

IFRS 11 places more focus on the investors' rights and obligations than on the structure of the arrangement when determining whether a joint arrangement exists.

IFRS 12 is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including unconsolidated structured entities. The standard impacts disclosure only and has no impact on recognition and measurement.

The adoption of IFRS 10 and 11 resulted in the following:

- ‡ The reclassification of a number of entities between associates and joint ventures. As it has always been the Bank's policy to account for joint ventures at cost less impairment, the reclassification did not result in a change in measurement;
- ‡ An investment security previously classified as available-for-sale is now considered to be an associate, with the investment being classified as an advance.

- ‡ First and third party insurance cell captives do not meet the definition of asset silos in terms of IFRS 10 and as such do not qualify for consolidation. The insurance policies in the Bank's first party cells insure the risk arising from the Bank's defined benefit plans. As such those insurance contracts are now considered to be plan assets in terms of IAS 19 and are accounted for as such. The excess profit in the cell captive is recognised as a financial asset in accounts receivable.

IAS 19

Amendments to IAS 19 require that all actuarial gains and losses in respect of defined benefit post-employment plans are no longer deferred in terms of the corridor but recognised in other comprehensive income. In addition the standard no longer requires the expected return on plan assets to be recognised in profit or loss, rather a net interest income/expense be recognised on the net asset or liability. All other re-measurements relating to plan assets are also recognised in other comprehensive income.

Interest expense on fair value activities

The Bank has elected to present interest expense incurred on liabilities that fund the activities that generate fair value income as fair value income.

The change in presentation has had no impact on the net profit of the Bank only on the classification of items in the income statement.

30 RESTATEMENT OF PRIOR YEAR NUMBERS continued**30.2 Restated income statement for the year ended 30 June 2013**

R million	As previously reported	IFRS 10 and 11	IAS 19	Interest expense	Restated
Interest and similar income	39 654	(23)	–	–	39 631
Interest expense and similar charges	(24 188)	1	–	6 239	(17 948)
Net interest income before impairment of advances	15 466	(22)	–	6 239	21 683
Impairment of advances	(4 441)	–	–	–	(4 441)
Net interest income after impairment of advances	11 025	(22)	–	6 239	17 242
Non-interest income	30 346	16	–	(6 239)	24 123
Income from operations	41 371	(6)	–	–	41 365
Operating expenses	(26 928)	240	15	–	(26 673)
Income before tax	14 443	234	15	–	14 692
Indirect tax	(579)	–	–	–	(579)
Profit before tax	13 864	234	15	–	14 113
Income tax expense	(3 071)	(64)	–	–	(3 135)
Profit for the year	10 793	170	15	–	10 978
Attributable to:					
Ordinary equityholders	10 597	170	15	–	10 782
NCNR preference shareholders	196	–	–	–	196
Profit for the year	10 793	170	15	–	10 978

30 RESTATEMENT OF PRIOR YEAR NUMBERS continued**30.2 Restated statement of comprehensive income for the year ended 30 June 2013**

R million	As previously reported	IFRS 10 and 11	IAS 19	Interest expense	Restated
Profit for the year	10 793	170	15	–	10 978
Items that may subsequently be reclassified to profit or loss:					
Cash flow hedges	853	–	–	–	853
Gains arising during the year	417	–	–	–	417
Reclassification adjustments for amounts included in profit or loss	768	–	–	–	768
Deferred income tax	(332)	–	–	–	(332)
Available-for-sale financial assets	(117)	–	–	–	(117)
Losses arising during the year	(134)	–	–	–	(134)
Reclassification adjustments for amounts included in profit or loss	(32)	–	–	–	(32)
Deferred income tax	49	–	–	–	49
Exchange differences on translating foreign operations	240	–	–	–	240
Gains arising during the year	240	–	–	–	240
Items that may not subsequently be reclassified to profit or loss:					
Remeasurements on the defined benefit post-employment plans	–	–	22	–	22
Gains arising during the year	–	–	30	–	30
Deferred income tax	–	–	(8)	–	(8)
Other comprehensive income for the year	976	–	22	–	998
Total comprehensive income for the year	11 769	170	37	–	11 976
Attributable to:					
Ordinary equityholders	11 573	170	37	–	11 780
NCNR preference shareholders	196	–	–	–	196
Total comprehensive income for the year	11 769	170	37	–	11 976

30 RESTATEMENT OF PRIOR YEAR NUMBERS continued**30.2 Restated statement of financial position as at 30 June 2013**

R million	As previously reported	IFRS 10 and 11	IAS 19	Restated
ASSETS				
Cash and cash equivalents	42 296	–	–	42 296
Derivative financial instruments	51 755	–	–	51 755
Commodities	6 016	–	–	6 016
Accounts receivable	4 564	10	–	4 574
Current tax asset	144	(4)	–	140
Advances	548 226	355	–	548 581
Amounts due by holding company and fellow subsidiary companies	20 882	(254)	–	20 628
Investment securities and other investments	95 025	(64)	–	94 961
Investment in subsidiary companies	5	–	–	5
Investments in associates	44	–	–	44
Property and equipment	10 421	–	–	10 421
Intangible assets	154	–	–	154
Post-employment benefit asset	2 995	(2 995)	–	–
Total assets	782 527	(2 952)	–	779 575
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	2 923	–	–	2 923
Derivative financial instruments	52 940	–	–	52 940
Creditors and accruals	8 935	(15)	–	8 920
Deposits	629 842	30	–	629 872
Provisions	246	–	–	246
Employee liabilities	9 239	(2 545)	308	7 002
Other liabilities	1 062	–	–	1 062
Amounts due to holding company and fellow subsidiary companies	14 586	(58)	–	14 528
Deferred income tax liability	250	(200)	–	50
Tier 2 liabilities	7 625	–	–	7 625
Total liabilities	727 648	(2 788)	308	725 168
Equity				
Ordinary shares	4	–	–	4
Share premium	15 304	–	–	15 304
Reserves	36 571	(164)	(308)	36 099
Capital and reserves attributable to ordinary equityholders	51 879	(164)	(308)	51 407
NCNR preference shares	3 000	–	–	3 000
Total equity	54 879	(164)	(308)	54 407
Total equity and liabilities	782 527	(2 952)	–	779 575

30 RESTATEMENT OF PRIOR YEAR NUMBERS continued**30.3 Restated statement of financial position as at 30 June 2012**

R million	As previously reported	IFRS 10 and 11	IAS 19	Restated
ASSETS				
Cash and cash equivalents	31 557	–	–	31 557
Derivative financial instruments	52 392	–	–	52 392
Commodities	5 108	–	–	5 108
Accounts receivable	3 301	13	–	3 314
Current tax asset	253	(3)	–	250
Advances	482 745	368	–	483 113
Amounts due by holding company and fellow subsidiary companies	23 307	(196)	–	23 111
Investment securities and other investments	78 809	(86)	–	78 723
Investment in subsidiary companies	–	–	–	*
Investments in associates	243	(78)	–	165
Property and equipment	8 882	–	–	8 882
Intangible assets	336	–	–	336
Post-employment benefit asset	2 986	(2 986)	–	–
Non-current assets and disposal groups held for sale	215	–	–	215
Total assets	690 134	(2 968)	–	687 166
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	4 019	–	–	4 019
Derivative financial instruments	53 666	–	–	53 666
Creditors and accruals	6 473	(32)	–	6 441
Deposits	545 796	26	–	545 822
Provisions	234	–	–	234
Employee liabilities	8 480	(2 610)	654	6 524
Other liabilities	922	–	–	922
Amounts due to holding company and fellow subsidiary companies	13 341	(56)	–	13 285
Deferred income tax liability	769	(271)	–	498
Tier 2 liabilities	7 437	–	–	7 437
Total liabilities	641 137	(2 943)	654	638 848
Equity				
Ordinary shares	4	–	–	4
Share premium	15 304	–	–	15 304
Reserves	30 689	(25)	(654)	30 010
Capital and reserves attributable to ordinary equityholders	45 997	(25)	(654)	45 318
NCNR preference shares	3 000	–	–	3 000
Total equity	48 997	(25)	(654)	48 318
Total equity and liabilities	690 134	(2 968)	–	687 166

INCOME STATEMENT

for the year ended 30 June

R million	Notes	2014	2013*
Interest and similar income	1.1	44 757	39 631
Interest expense and similar charges	1.2	(19 558)	(17 948)
Net interest income before impairment of advances		25 199	21 683
Impairment of advances	11	(4 827)	(4 441)
Net interest income after impairment of advances		20 372	17 242
Non-interest income	2	28 622	24 123
Income from operations		48 994	41 365
Operating expenses	3	(31 076)	(26 673)
Income before tax		17 918	14 692
Indirect tax	4.1	(796)	(579)
Profit before tax		17 122	14 113
Income tax expense	4.2	(4 375)	(3 135)
Profit for the year		12 747	10 978
Attributable to:			
Ordinary equityholders		12 555	10 782
NCNR preference shareholders		192	196
Profit for the year		12 747	10 978

* Refer to restatement of prior year numbers on pages 208 to 212.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

R million	2014	2013*
Profit for the year	12 747	10 978
Items that may subsequently be reclassified to profit or loss		
Cash flow hedges	361	853
(Losses)/gains arising during the year	(111)	417
Reclassification adjustments for amounts included in profit or loss	613	768
Deferred income tax	(141)	(332)
Available-for-sale financial assets	(149)	(117)
Losses arising during the year	(149)	(134)
Reclassification adjustments for amounts included in profit or loss	(67)	(32)
Deferred income tax	67	49
Exchange differences on translating foreign operations	193	240
Gains arising during the year	193	240
Items that may not subsequently be reclassified to profit or loss		
Remeasurements on defined benefit post-employment plans	(207)	22
(Losses)/gains arising during the year	(287)	30
Deferred income tax	80	(8)
Other comprehensive income for the year	198	998
Total comprehensive income for the year	12 945	11 976
Attributable to:		
Ordinary equityholders	12 753	11 780
NCNR preference shareholders	192	196
Total comprehensive income for the year	12 945	11 976

* Refer to restatement of prior year numbers on pages 208 to 212.

STATEMENT OF FINANCIAL POSITION

as at 30 June

R million	Notes	2014	2013*	2012*
ASSETS				
Cash and cash equivalents	6	51 788	42 296	31 557
Derivative financial instruments	7	38 633	51 755	52 392
Commodities	8	7 904	6 016	5 108
Accounts receivable	9	4 131	4 574	3 314
Current tax asset		–	140	250
Advances	10	622 112	548 581	483 113
Amounts due by holding company and fellow subsidiary companies	12	26 005	20 628	23 111
Investment securities and other investments	13	88 783	94 961	78 723
Investments in subsidiary companies	14	–	5	–
Investments in associates	15	–	44	165
Property and equipment	16	11 369	10 421	8 882
Intangible assets	17	84	154	336
Deferred income tax asset	19	400	–	–
Non-current assets and disposal groups held for sale		–	–	215
Total assets		851 209	779 575	687 166
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	20	5 398	2 923	4 019
Derivative financial instruments	7	41 628	52 940	53 666
Creditors and accruals	21	10 380	8 920	6 441
Current tax liability		53	–	–
Deposits	22	693 176	629 872	545 822
Provisions	23	386	246	234
Employee liabilities	18	8 080	7 002	6 524
Other liabilities	24	4 268	1 062	922
Amounts due to holding company and fellow subsidiary companies	12	12 292	14 528	13 285
Deferred income tax liability	19	–	50	498
Tier 2 liabilities	25	11 484	7 625	7 437
Total liabilities		787 145	725 168	638 848
Equity				
Ordinary shares	26	4	4	4
Share premium	26	15 304	15 304	15 304
Reserves		45 756	36 099	30 010
Capital and reserves attributable to ordinary equityholders		61 064	51 407	45 318
NCNR preference shares	26	3 000	3 000	3 000
Total equity		64 064	54 407	48 318
Total equity and liabilities		851 209	779 575	687 166

* Refer to restatement of prior year numbers on pages 208 to 212.

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

Ordinary share capital and ordinary equityholders' funds						
R million	Notes	Share capital	Share premium	Share capital and share premium	Defined benefit post-employment reserve	Cash flow hedge reserve
Balance as at 1 July 2012		4	15 304	15 308	–	(753)
Restatements		–	–	–	(581)	–
Restated balance as at 1 July 2012		4	15 304	15 308	(581)	(753)
Movement in other reserves		–	–	–	–	–
Ordinary dividends		–	–	–	–	–
Preference dividends		–	–	–	–	–
Total comprehensive income for the year		–	–	–	22	853
Balance as at 30 June 2013		4	15 304	15 308	(559)	100
Movement in other reserves		–	–	–	–	–
Equity transactions with fellow subsidiaries		–	–	–	–	–
Ordinary dividends		–	–	–	–	–
Preference dividends		–	–	–	–	–
Total comprehensive income for the year		–	–	–	(207)	361
Balance as at 30 June 2014		4	15 304	15 308	(766)	461

Ordinary share capital and ordinary equityholders' funds							
Share-based payment reserve	Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Reserves attributable to ordinary equity-holders	NCNR preference shares	Total equity
420	696	(247)	1 345	29 228	30 689	3 000	48 997
–	–	–	–	(98)	(679)	–	(679)
420	696	(247)	1 345	29 130	30 010	3 000	48 318
19	–	–	–	–	19	–	19
–	–	–	–	(5 710)	(5 710)	–	(5 710)
–	–	–	–	–	–	(196)	(196)
–	(117)	240	–	10 782	11 780	196	11 976
439	579	(7)	1 345	34 202	36 099	3 000	54 407
26	–	–	–	–	26	–	26
–	–	–	–	1 167	1 167	–	1 167
–	–	–	–	(4 289)	(4 289)	–	(4 289)
–	–	–	–	–	–	(192)	(192)
–	(149)	193	–	12 555	12 753	192	12 945
465	430	186	1 345	43 635	45 756	3 000	64 064

STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	Notes	2014	2013
Cash flows from operating activities			
Cash receipts from customers	28.2	67 634	57 370
Cash paid to customers, suppliers and employees	28.3	(41 379)	(36 185)
Dividends received		1 982	3 146
Dividends paid	28.4	(4 481)	(5 906)
Cash generated from operating activities	28.1	23 756	18 425
Increase in income-earning assets	28.5	(66 796)	(81 513)
Increase in deposits and other liabilities	28.6	53 558	81 128
Taxation paid	28.7	(5 342)	(4 432)
Net cash generated from operating activities		5 176	13 608
Cash flows from investing activities			
Acquisition of investments in associates	15	–	(349)
Proceeds on disposal of investments in associates	15	–	550
Acquisition of investments in subsidiaries	14	–	(5)
Acquisition of property and equipment		(3 318)	(3 644)
Proceeds on disposal of property and equipment		683	431
Acquisition of intangible assets		(105)	(171)
Proceeds on disposal of intangible assets		7	3
Net cash outflow from investing activities		(2 733)	(3 185)
Cash flows from financing activities			
Proceeds from other liabilities		3 180	97
Proceeds from Tier 2 liabilities		3 859	188
Net cash inflow from financing activities		7 039	285
Net increase in cash and cash equivalents		9 482	10 708
Cash and cash equivalents at the beginning of the year		42 296	31 557
Effect of exchange rate changes on cash and cash equivalents		10	31
Cash and cash equivalents at the end of the year	6	51 788	42 296

Appendix 3

Letter of Confirmation from Deloitte & Touche

The Directors
FirstRand Bank Limited
4 Merchant Place
Cnr Rivonia Road and Fredman Drive
Sandton, 2146

4 September 2015

Attention of: Carnita Low

Dear Mrs Low

FirstRand Bank Limited has undertaken an initiative to create, list and issue a Krugerrand instrument that will allow Investors to take possession of the Krugerrand on expiry, or earlier, if redeeming a Block. Securities issued in terms of the Krugerrand instrument will be known as "Krugerrand Custodial Certificates" ("Offer of Krugerrand Custodial Certificates").

In order to provide detail on the Offer of Krugerrand Custodial Certificates, FirstRand will make available a prospectus, as contemplated in section 99 of the Companies Act, No. 71 of 2008 ("Companies Act") read with Regulation 56 of the Regulations promulgated under the Companies Act ("Prospectus").

Deloitte & Touche, in its capacity as Auditors and Reporting Accountants to the Company, hereby consents to its name being stated and to the references thereto in the form and context in which it appears in the Prospectus.

We hereby undertake that we will not withdraw our consent contained in this letter prior to the issue of the Prospectus.

Yours faithfully



Darren Shipp
Partner
4 September 2015

National Executive: *LL Barn Chief Executive *AE Swiegers Chief Operating Officer *GM Pinnock Audit
DL Kennedy Risk Advisory *NB Kader Tax TP Pillay Consulting *K Black Clients & Industries
*JK Mazzocco Talent & Transformation *MJ Jarvis Finance *M Jordan Strategy S Gwala Managed Services
*TJ Brown Chairman of the Board *MJ Comber Deputy Chairman of the Board

A full list of partners and directors is available on request

* Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited

Letter of Confirmation from PricewaterhouseCoopers Inc



The Directors
FirstRand Bank Limited
4 Merchant Place
Cnr Rivonia Road and Fredman Drive
Sandton, 2146

4 September 2015

Attention of: Carnita Low

Dear Mrs Low,

FirstRand Bank Limited has undertaken an initiative to create, list and issue a Krugerrand instrument that will allow Investors to take possession of the Krugerrand on expiry, or earlier, if redeeming a Block. Securities issued in terms of the Krugerrand instrument will be known as "Krugerrand Custodial Certificates" ("Offer of Krugerrand Custodial Certificates").

In order to provide detail on the Offer of Krugerrand Custodial Certificates, FirstRand will make available a prospectus, as contemplated in section 99 of the Companies Act, No. 71 of 2008 ("Companies Act") read with Regulation 56 of the Regulations promulgated under the Companies Act ("Prospectus").

PricewaterhouseCoopers Inc., in its capacity as Auditors and Reporting Accountants to the Company, hereby consents to its name being stated and to the references thereto in the form and context in which it appears in the Prospectus.

We hereby undertake that we will not withdraw our consent contained in this letter prior to the issue of the Prospectus.

Yours faithfully

Francois Prinsloo
Johannesburg

*PricewaterhouseCoopers, 2 Eglin Road, Sunninghill 2157, Private Bag X36, Sunninghill 2157, South Africa
T: +27 (11) 797 4000, F: +27 (11) 797 5800, www.pwc.co.za*

Chief Executive Officer: T D Shango
Management Committee: T P Blandin de Chabain, S N Madikane, P J Mthibane, C Richardson, A R Tlaskani, F Towell, C Volschenk
The Firm's principal place of business is at 2 Eglin Road, Sunninghill where a list of the partners' names is available for inspection.
VAT reg.no. 4070182128.

Letter of Confirmation from Webber Wentzel

WEBBER WENTZEL
in alliance with Linklaters

10 Fricker Road, Illovo Boulevard
Johannesburg, 2196
PO Box 61771, Marshalltown
Johannesburg, 2107, South Africa
Docex 26 Johannesburg
T +27 11 530 5000
F +27 11 530 5111
www.webberwentzel.com

The Directors
FirstRand Bank Limited
4 Merchant Place
Cnr Rivonia Road and Fredman Drive
Sandton,
2146
Attention of: Carnita Low

Your reference

Our reference

Date

Peter Bradshaw/Nashleen Dilrajh
2343895

10 September 2015

Dear Ms Low

Consent Letter

1. We refer to the offering prospectus of FirstRand Bank Limited (registration number 1929/001225/06) (the "Company") in terms of which the Company offers Krugerrand Custodial Certificates for subscription to the public on the terms and conditions set out therein (the "Prospectus").
2. Webber Wentzel, in its capacity as the legal advisor to the Company, hereby consents to its name being stated and to the references thereto in the form and context in which it appears in the Prospectus.
3. Provided that the Prospectus is not amended in any material way without our approval after the date of this letter, we undertake that we will not withdraw such consent prior to the issue of the Prospectus.

Yours faithfully,



WEBBER WENTZEL

Peter Bradshaw

Partner

Direct tel: +27 11 530 5808/5489

Direct fax: +27 11 530 6808

Email: peter.bradshaw@webberwentzel.com

WW Consent Letter (2) (2)

Seniors: Partners: JC Els Managing Partners: SJ Hulton Partners: RB Africa NG Aip GA Ampefo-Anti RL Appelbaum BA Balling JM Bellw AE Bennett DHL Booyens AR Bowley PG Bradshaw EG Brandt JL Brink S Browne RS Burger RS Coetjers KL Collier KM Coleman KE Coster K Couty CR Davidson JH Davies HE Davis RM Davis JHB de Lange DW de Villiers BEC Dickinson MA Diment DA Dingley KZ Dlabisi G Driver HJ du Preez CP du Toit SK Edmundson AE Esterhuizen HJR Evans AA Felds GA Fichardt JB Forman RH Gibson J Goolam CI Gouwes JP Gouwes PD Grealis A Harley VW Harrison JH Harvey RH Hathorn JS Henning KR Hillis RA Hlatshwaye XNC Hlatshwaye S Hockey CM Hofeld PM Holloway HF Human AV Jomali KA Jarvis ME Jarvis CM Jonker S Jossie LA Kahn N Kennedy A Keyser MD Kota J Lamb PSG Leon PG Leyden L Harals S McCafferty PC McIntosh N McLaren SJ Meltzer SH Methula CS Meyer AJ Hies JA Milner D Nelo NP Nkomozezu LA Morphet VM Novakovich N Hlatsh SP Nicker RA Nelson BP Ngwenze ZH Ntshona MB Ntshona L Odendaal GJP Olivier N Paige AHT Pandini AS Parry S Patel GR Penfold SE Phajane MA Phillips C Piny HK Potgieter S Rajah D Ramjattan NIA Robb DC Rudman H Seder JW Scholtz KE Shepherd DMJ Simaan AJ Simpson J Simpson H Singh MP Spalding L Stein PS Stein LJ Swaine ER Swenepoel Z Swenepoel A Thakur A Toofy PZ Vahda SE van der Meulen ED van der Vyver N van der Walt N van Dyk A van Niekerk NH van Schaardenburgh JE Venter D Venter B Versfeld NG Versfeld TA Versfeld DM Visagie J Watson JWL Westgate KL Williams K Wilson RH Wilson M Yudaken Chief Operating Officers: SA Boyd

Webber Wentzel is associated with ALN

Letter of Confirmation from Rand Merchant Bank

Reg. No. 18290X1325104
An Authorized Financial Services Provider



FirstRand Bank Limited
4 Merchant Place
Cnr Rivonia Road and Fredman Drive
Sandton, 2146

Dear Carnita

FirstRand Bank Limited has undertaken an initiative to create, list and issue a Krugerrand instrument that will allow investors to take possession of the Krugerrand on expiry, or earlier, if redeeming a Block. Securities issued in terms of the Krugerrand Instrument will be known as "Krugerrand Custodial Certificates" ("Offer of Krugerrand Custodial Certificates").

In order to provide detail on the Offer of Krugerrand Custodial Certificates, FirstRand will make available a prospectus, as contemplated in section 99 of the Companies Act, No. 71 of 2008 ("Companies Act") read with Regulation 56 of the Regulations promulgated under the Companies Act ("Prospectus").

Rand Merchant Bank (a division of FirstRand Bank Limited), in its capacity as the Merchant Bank, Sponsor and Market Maker, hereby consents to its name being stated and to the references thereto in the form and context in which it appears in the Prospectus.

We hereby undertake that we will not withdraw our consent contained in this letter prior to the issue of the Prospectus.

Yours faithfully

Yours faithfully

AD Stuart

Legal Counsel – Global Markets

[illegible]

20140223

FirstRand Bank Limited
(the "Company")
(Incorporated in the Republic of South Africa)
(Registration number 1929/001225/06)

APPLICATION FORM FOR SUBSCRIPTION FOR KRUGERRAND CUSTODIAL CERTIFICATES

All capitalised terms used in this Application Form are defined on pages 7 to 9 of the Prospectus.
This Application Form forms part of the Prospectus which was registered by the Companies and Intellectual Property Commission on 16 October 2015 and must be read in conjunction with it.
Only original Application Forms will be accepted. Incomplete Application Forms or Application Forms received after 12h00 on 5 November 2015 will be disregarded.

Instructions:

1. Complete this Application Form in CAPITAL LETTERS and black ink.
2. You may only complete this Application Form if you qualify to participate in the Offer.
3. The subscription price per KCC is the published NAV of a Krugerrand Custodial Certificate as detailed in paragraph 13 of the Offering Circular attached as Appendix I to this Prospectus, as at 9am on the date after the Closing Date of the Offer.
4. Please ensure you have read the terms and conditions of the Offer as set out in Annexure 1 of this Prospectus.
5. If you are unsure as to the correct way to complete this Application Form, contact your broker.
6. The Company is entitled to verify your details and you are obligated to assist in such verification promptly when requested to do so.
7. Any supporting documentation which is submitted together with this Application Form must be certified as a true copy of the original, and this can be done at any South African Police Station.
8. The Application Form must be completed in full and be returned to the Company either by hand to 4 Merchant Place, Cnr Rivonia Road and Fredman Drive, Sandton, 2146 or by post to PO Box 786273, Sandton, 2146, by no later than 12h00 on 5 November 2015.

PART I - APPLICANT'S DETAILS

The following must be completed in BLOCK LETTERS by each applicant:

Surname of applicant	
First names of applicant	
Identity number of applicant	
Postal address (preferably PO Box)	
Postal code	
Physical address	
Telephone number and dialing code	
Cell phone number	
Email address	
Banking details	

PART II - APPLICATION FOR KCC'S

Number of	
-----------	--

KCCs applied for	
Subscription price (per KCC)	The published NAV of a Krugerrand Custodial Certificate as detailed in paragraph 13 of the Offering Circular attached as Appendix I to this Prospectus, as at 9am on the date after the Closing Date of the Offer, being 22 October 2015. This price shall be published on RMB's website: http://www.rmb.co.za/GlobalMarkets/weTrade_Commodities_Krugerrand_Custodial_Certificate.asp

PART III - DECLARATION

I, the undersigned, warrant that I have full legal capacity to contract on behalf of the applicant stated in Part I above (the " Applicant "), and on behalf of the applicant hereby irrevocably undertake to subscribe for the number of KCC's stated in Part II above at the price stated therein, or any lesser number of KCC's that may be allocated to the applicant in the manner set out in paragraph 3.1 of the Prospectus and which incorporates this application form. I confirm that I have read the terms and conditions set out in Appendix 1 of the Prospectus:	
Full name:	
Capacity:	
Signature:	
Date:	

PART IV - NOTES

1. Applications under this Form are irrevocable and may not be withdrawn once submitted.
2. Subscribers should consult their professional advisers in case of doubt as to the correct completion of this Form.
3. In terms of section 95(1)(h) of the Companies Act, the Offer constitutes an offer to the public, and a prospectus is required to be registered in terms of section 99(3)(a)(ii) of the Companies Act. The Prospectus was consequently registered by the CIPC on 16 October 2015. Pursuant to section 108(1) of the Companies Act, a company that has offered securities to the public must not allot such securities or accept any subscription for any of those securities unless (a) the subscription has been made on an application form that has been attached to or accompanied by a prospectus, or (b) it is shown that the applicant, at the time of the application, was in fact in possession of a copy of the prospectus or was aware of its contents. This Application Form constitutes the application form contemplated in section 108(1)(a) of the Companies Act.
4. Persons who have acquired KCC's after the date of the issue of the Prospectus can obtain copies of the Application Form and the Prospectus from the Company at 4 Merchant Place, Cnr Rivonia Road and Fredman Drive, Sandton, 2146 (PO Box 786273, Sandton, 2146).
5. If the instructions set out in this Form and the Prospectus are not fully complied with; the Company reserves the right to accept such applications in whole or in part at its discretion.
6. No receipts will be issued for documents lodged unless specifically requested.
7. Any alteration to this Form must be signed in full and not initialed.
8. If this Form is signed under a power of attorney, then such power of attorney or a notarially certified copy thereof must be sent with this Form for noting (unless it has already been noted by the Company or the Transfer Secretary). This does not apply in the event of this Form bearing a JSE broker's stamp.
9. Where the Subscriber is a company or a close corporation, unless it has already been registered with the Company or the Transfer Secretary, a certified copy of the directors' or members' resolution authorising the signing of this Form must be submitted if so requested by the Company.
10. A minor must be assisted by his/her parent or guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Transfer Secretary.