Annexure A3

Pro forma financial information of Good Bank for the year ended 30 September 2015

The Good Bank pro forma statement of financial position as at 30 September 2015 and the statement of profit or loss for the year then ended (the "pro forma financial information") have been prepared to show the impact of the Restructuring, based on an assumed Transaction Effective Date of: (i) 1 October 2014 for purposes of the pro forma statement of profit or loss and (ii) 30 September 2015 for the purposes of the pro forma statement of financial position. The pro forma financial information is presented for illustrative purposes only. Furthermore, because of its nature, pro forma financial information addresses a hypothetical situation and therefore does not represent the actual financial position or results of Good Bank, nor does it represent Good Bank's financial results or financial position going forward.

The pro forma financial information has been compiled from the statement of financial position of African Bank as at 30 September 2015 and from the statement of profit or loss for the year then ended, as contained in the audited financial statements of African Bank. It has been prepared using accounting policies that comply with IFRS, and are consistent with those applied in African Bank's 30 September 2015 financial statements as well as those expected to be applied in the preparation of the Good Bank financial statements. The pro forma financial information is presented in accordance with the JSE Listings Requirements, and the Guide on Pro Forma Financial Information issued by the South African Institute of Chartered Accountants, and in accordance with Annex II of the PD Regulation for UK Listing Authority purposes.

The directors of Good Bank are responsible for the compilation, contents and preparation of the pro forma financial information. The directors' responsibility includes determining that the pro forma financial information has been properly compiled on the basis stated, which is consistent with the accounting policies of African Bank and Good Bank and that the pro forma adjustments are appropriate for purposes of the pro forma financial information disclosed pursuant to the JSE Listings Requirements and in accordance with Annex II of the PD Regulation for UK Listing Authority purposes.

Pro forma Statement of Financial Position of Good Bank as at 30 September 2015

ZAR million	African Bank (before the Restructuring) – Note 1	African Bank (expanded) – Note 1	Excluded from the Good Bank Business – Note 2	*Pro forma* Good Bank Business before the Restructuring	Exchange Offers – Note 3	Equity injection – Note 4	VAT applicable to acquired assets – Note 5	*Pro forma* Good Bank after the Restructuring
ASSETS								
Short-term deposits and cash	6 294	14 526	(5 454)	9 072		10 000		19 072
Assets classified as held for sale	37 436	-						-
Statutory assets	-	3 905		3 905				3 905
Derivatives and other assets	-	4 644		4 644				4 644
Net advances	6 767	26 912	(6 767)	20 145	827			20 972
Amounts owing by holding company and fellow subsidiaries	182	182	(182)					-
Property and equipment	-	436		436	105			541
Intangible assets	-	74		74	63			137
Goodwill	-	-			2 060		(336)	1 724
Total assets	**50 679**	**50 679**				**10 000**	**(336)**	**50 995**
LIABILITIES AND EQUITY								
Short-term funding	21 326	25 351	(21 326)	4 025	17 328			21 353
Liabilities associated with assets classified as held for sale	4 453	-						-
Derivatives and other liabilities	101	445	(101)	344	212		(106)	450
Bonds and other long-term funding	26 524	26 608	(26 524)	84	17 323			17 407
Subordinated bonds debentures and loans	4 569	4 569	(4 569)		1 485			1 485
Amounts owing to fellow subsidiaries	535	535	(535)		428			428
Deferred tax liability	-	-			102			102
Total liabilities	**57 508**	**57 508**					**(106)**	**41 225**
Ordinary share capital and premium	14 404	14 404	(14 404)			10 000		10 000
Reserves and accumulated losses	(21 233)	(21 233)	21 233				(230)	(230)
Total equity (capital and reserves)	**(6 829)**	**(6 829)**				**10 000**	**(230)**	**9 770**
Total liabilities and equity	**50 679**	**50 679**				**10 000**	**(336)**	**50 995**

Notes:

1. Extracted without material adjustment from the audited financial statements of African Bank for the year ended 30 September 2015. In the second column the impact of the IFRS 5 *Non-current assets classified as held for sale and discontinued operations* ("IFRS 5") disclosure in the statutory financial statements has been reversed. This was done for presentation purposes as this presentation in terms of IFRS 5 would not carry forward into the Good Bank.
The Good Bank statement of financial position as at 30 September 2015 represents a dormant starting position with immaterial balances prior to the Restructuring. Please refer Annexure A2 for the historical financial information of Good Bank.

2. These adjustments represent the balances of African Bank which do not form part of the Good Bank Business together with a cash adjustment of ZAR5 454 million to achieve a transferred cash amount of ZAR9 072 million (including collateral cash of ZAR4 005 million which is also transferred). These adjustments are non-recurring and establish the opening position of the Good Bank's assets and liabilities.

    a. The Good Bank Business comprises the Good Book, the Operational Assets, the Retail Deposits and the Operational Liabilities of African Bank. These balances have been sourced and extracted through specific identification from the management accounts supporting the financial statements and the loan ledger records in which Good Book loans are specifically identified.

    b. In terms of the Sale of Business agreement, the transferred cash amount balances the Good Bank statement of financial position after accounting for the fair value of other assets and liabilities acquired. The fair value of the assets and the transferred cash amount has been agreed between Good Bank and the Curator on a basis that will afford Good Bank a reasonable prospect of achieving the CET Target. In terms of the Sale of Business Agreement, we have assumed a cash adjustment to balance the statement of financial position after taking into account the pro forma IFRS 3 *Business Combinations* fair value adjustments (refer to note 3).

3. These adjustments reflect the effect of the Exchange Offers.
These adjustments are non-recurring and establish the opening position of the Good Bank's assets and liabilities.

    Most of the Senior Funders and Other Creditors have agreed to exchange their claims against African Bank for new claims against Good Bank and Residual Bank in terms of the Exchange Offers. Good Bank therefore acquires the Good Bank Business in exchange for the issue of the New Debt Instruments and the assumption of the Retail Deposit Obligations and Operational Liabilities.

    The assumed transaction values of the New Senior Debt Instruments issued by the Good Bank are sourced and reflected based on the detailed calculation of these instruments in terms of the Restructuring. The Coupon Service Payment, Senior Cash Payment and Senior Stub Instruments therefore remain in Residual Bank.

    Subordinated Funders have participated in the Subordinated Exchange Offer and have elected settlement in New Subordinated Debt Instruments only, i.e. New Subordinated Debt Instruments equal to ZAR1 485 million are to be issued by the Good Bank and no Subordinated Funders have elected to receive New HoldCo Shares.

    In accordance with IFRS 3 *Business Combinations* ("IFRS 3"), Good Bank is viewed as the acquirer of the Good Bank Business. Accordingly, Good Bank is required to perform a fair value exercise on the acquired assets and liabilities in terms of IFRS 3. The following fair value adjustments, compared to the carrying values of the Good Bank Business as reported by African Bank, are assumed:

ZAR million	**Carrying value**	**Fair value**	**Adjustment due to IFRS 3**	**Source and basis of indicative fair value adjustment**
Net advances	20 145	20 972	827	The fair value of the Good Book has been calculated by management using a discounted cash flow technique. The fair value has been estimated by discounting the expected future cash flows (modelled by extrapolating the most recent observed cash flows on the advances book) at the expected rate of return that a potential acquirer would require. The discount rate is a weighted cost of capital based on an assumed long-term debt to equity ratio, consistent with the capital levels required within the banking industry. The methodology applied is consistent with that applied in the audited financial statements of African Bank for the period ended 30 September 2015.
Intangible assets	74	137	63	Brand value on intangible assets is sourced from a pre-acquisition fair value exercise undertaken by management.
Property and equipment	436	541	105	This adjustment is sourced from the fair values of land and buildings disclosed in the audited financial statements for the year ended 30 September 2015.
Deferred tax liability	-	(102)	(102)	Deferred taxation is provided on temporary differences arising from the fair value adjustments on acquisition.
Goodwill	-	n/a	1 724	The goodwill is based on the amount of goodwill agreed in the Sale of Business Agreement.

    The fair value adjustments set out above are based on valuations as described above. A full fair value exercise will be performed after the actual Transaction Effective Date at which time the final fair values of assets and liabilities will be determined.
    The fair value of the New Debt Instruments will have to be calculated after the actual Transaction Effective Date. For purposes of these pro forma financial statements, the estimated fair value of New Debt Instruments is based on the value of the debt as disclosed in the audited financial statements.

4. As part of the Restructuring, the Consortium will subscribe for ZAR10 billion of New HoldCo Shares, which in turn will use the cash raised to capitalise Good Bank.

5. VAT of ZAR336 million arises as a result of the sale of the Good Bank Business. In terms of the relevant tax legislation, VAT at a rate of 14% will be levied on the property and equipment and intangible assets being transferred as well as on the goodwill generated in terms of IFRS 3. African Bank's VAT apportionment ratio, calculated in terms of tax legislation, has been used in preparing the accounting impact of the VAT charge. The portion of the VAT charge that will be claimed from the tax authorities has been disclosed as part of the net VAT liability. The remaining portion of the VAT charge has been allocated to reserves as a charge through the statement of profit or loss.

6. There are no other subsequent events which require adjustment to the pro forma financial effects.

Pro forma Statement of Profit or Loss of Good Bank for the year ended 30 September 2015

ZAR million	African Bank (before the Restructuring) – Note 1	Excluded from the Good Bank Business – Note 2	Exchange Offers – Note 3	SLA between Good Bank and Residual Bank – Note 4	VAT applicable to acquired assets – Note 5	Goodwill impairment – Note 6	*Pro forma* Good Bank after the Restructuring
Interest income on advances	8 720	(2 904)	(2 364)				3 452
Non-interest income	2 273	(829)	(1 126)	953			1 271
Income from operations	**10 993**	**(3 733)**	**(3 490)**	**953**			**4 723**
Credit impairment charge	(10 816)	5 727	3 969				(1 120)
Risk adjusted income from operations	**177**	**1 994**	**479**	**953**			**3 603**
Other interest income	484	(46)					438
Interest expense	(4 601)	4 601	(3 740)				(3 740)
Operating costs	(2 698)	-	(1)				(2 699)
Indirect taxation: VAT	(59)	-			(236)		(295)
Loss from operations	**(6 697)**	**6 549**	**(3 262)**	**953**	**(236)**		**(2 693)**
Other losses	(185)	-					(185)
Capital items	(330)	330				(1 724)	(1 724)
Loss before taxation	**(7 212)**	**6 879**	**(3 262)**	**953**	**(236)**	**(1 724)**	**(4 602)**
Direct taxation: current and deferred	-	-	1 007	(267)			740
Loss for the period	**(7 212)**	**6 879**	**(2 255)**	**686**	**(236)**	**(1 724)**	**(3 862)**

Notes:

1. Extracted without material adjustment from the audited financial statements of African Bank for the year ended 30 September 2015.

   The Good Bank financial statements as at 30 September 2015 represent a dormant starting position with no statement of profit or loss. Please refer Annexure A2 for the historical financial information of Good Bank.

2. These adjustments represent income and expenses in respect of the items not forming part of the Good Bank Business. The Good Bank Business comprises the Good Book, the Operational Assets, the Retail Deposits and the Operational Liabilities of African Bank, together with a transferred cash amount. These balances have been sourced and extracted through specific identification from the management accounts supporting the annual financial statements and the loan ledger records in which Good Book loans are specifically identified. These adjustments are non-recurring insofar as it relates to the one-off effect of the Restructuring, but thereafter it forms the new base for income and expenses of Good Bank.
   Adjustments to components of risk adjusted income from operations are made to remove income and expenses which relate to the Residual Book, and therefore to reflect interest income on advances, non-interest income and credit impairment charges relating to the Good Book only.

   Adjustments to other interest income are made to reflect interest on assets included in the Good Bank Business only.

   No other interest income was assumed on the cash adjustment for purposes of the transferred cash amount (ZAR5 454 million per note 2 to the pro forma statement of financial position). No interest adjustment is assumed on net cash inflow (see also note 7 below) as the use of the cash has not been committed in terms of the Sale of Business Agreement and is therefore assumed to be available for working capital purposes. For illustrative purposes, interest on ZAR5 454 million would have been ZAR327 million (pre-tax). This is based on an assumed return on short-term cash of 6%.

   The reported total interest expense is reversed as it is being replaced, based on the economic assumptions of the New Debt Instruments issued by the Good Bank. Refer to the following note for these assumptions.

3. These adjustments reflect the effect of the Exchange Offers.
   Subordinated Funders have participated in the Subordinated Exchange Offer and have elected settlement in New Subordinated Debt Instruments only, i.e. New Subordinated Debt Instruments equal to ZAR1 485 million are to be issued by the Good Bank.

   These adjustments are non-recurring insofar as it relates to the once off effect of the Restructuring, but thereafter it forms the new base for expenses of Good Bank

   Interest expense has been calculated on the New Subordinated Debt Instruments accruing interest at a rate of JIBAR plus 7.25% (effectively 13.35%) and New Senior Debt Instruments accruing interest at a weighted average rate of 9.63%. These assumed interest rates are based on the Exchange Offers and the cost of funding for the year.

   A downward fair value adjustment of ZAR959 million to the Good Book is assumed as at 30 September 2014. The valuation is based on assumptions which are consistent with those applied in the audited financial statements of African Bank for the year ended 30 September 2014. It is assumed that an amount of ZAR479 million, relating to the fair value adjustment, is amortised and released to interest income on advances for the year. The amortisation of the fair value adjustment is based on the run-off profile of the Good Book. This adjustment is recurring until such time that the fair value adjustment of ZAR959 million is exhausted.

   The line items comprising risk-adjusted income from operations are adjusted to reflect the IFRS recognition of the Good Book at the Transaction Effective Date at fair value. This results in ZAR1 126 million of non-interest income and ZAR3 969 million of the credit impairment charge being reallocated to interest income on advances (a net reduction of ZAR2 843 million). This is a recurring adjustment.

   Operating costs are increased by ZAR1 million reflecting the additional amortisation on the fair value adjustment to property. This is a recurring adjustment. No amortisation is calculated on the brand intangible asset of ZAR63 million arising on acquisition as it is treated as an indefinite life intangible asset.

   No adjustment is made to operating costs for further non-recurring transaction costs in Good Bank, given that the transaction costs are incurred by African Bank.

   A net deferred tax asset is recognised as it is assumed that Good Bank will be profitable in the foreseeable future per the Base Case Projections. The deferred tax liability arising on fair value adjustments on acquisition is reduced at the same rate as the amortisation of the fair value adjustments underlying the deferred tax liability. This is a recurring adjustment.

4. Good Bank and Residual Bank will enter into a Service Level Agreement (SLA). A fee of ZAR953 million receivable by Good Bank for the year is assumed based on the detailed terms of the SLA, which will be implemented at the Transaction Effective Date. This adjustment is recurring in nature.

5. In terms of tax legislation, VAT at a rate of 14% will be levied on the property and equipment and intangible assets being transferred as well as on the goodwill generated in terms of IFRS 3. African Bank's VAT apportionment ratio, calculated in terms of the relevant tax legislation, has been used in preparing the accounting impact of the VAT charge. The irrecoverable portion of the VAT charge is assumed to be ZAR236 million based on asset values as at 30 September 2014 and presented as a charge through the statement of profit or loss. This is a non-recurring adjustment.

6. A provisional assessment of the carrying value of goodwill in terms of the Good Bank forecast indicates that goodwill may have to be impaired after the Transaction Effective Date. As a result, it has been assumed in the pro forma financial information that goodwill (refer note 3 to the pro forma statement of financial position) is impaired during the first reporting period. This is a non-recurring adjustment. It should be noted that this assessment will have to be reconsidered after the actual Transaction Effective Date.

7. No other interest income was assumed on the ZAR10 billion of share capital raised by Good Bank as part of the Restructuring as the use of the cash has not been committed and is therefore assumed to be available for working capital purposes. For illustrative purposes, such interest would have been ZAR600 million (pre-tax) based on an assumed return on short-term cash of 6%.

8. There are no other subsequent events which require adjustment to the pro forma financial effects.

Reporting accountant's report on pro-forma financial information

The Directors
K2014176899 (South Africa) Limited
59 16th Road
Midrand
Johannesburg

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN THE DOMESTIC MEDIUM TERM NOTE PROGRAMME OF K2014176899 (SOUTH AFRICA) LIMITED ("THE ISSUER")

Dear Sir

We have completed our reasonable assurance engagement to report on the compilation of pro forma financial information of African Bank Limited ("the Company"). The pro forma financial information consists of:

- a pro forma statement of financial position at 30 September 2015 for "Good Bank" (Refer to Annexure A3); and
- a pro forma statement of profit or loss from 1 October 2014 to 30 September 2015 for "Good Bank" (Refer Annexure A3).

The applicable criteria on the basis of which the directors of the Issuer ("the Directors") have compiled the pro forma financial information are specified in the JSE Listings Requirements and the United Kingdom Financial Conduct Authority ("FCA") Prospectus Rules and are described in Annexure A3.

The Curator of the Company intends on entering into a restructuring to form a new entity, Good Bank under which new debt listings will be made under a Domestic Medium Term Note ("DMTN") programme and a Euro Medium Term Note ("EMTN") programme. As a result, the Directors have prepared pro forma financial information for inclusion in the DMTN programme to illustrate the impact of the restructuring on the relevant statement of financial position to form Good Bank at 30 September 2015 and on the statement of profit or loss for the period ended as referred to above as if the restructuring had taken place at 1 October 2014. As part of this process, information about the Company's financial position and financial performance has been extracted by the Directors from the Company's financial statements for the year ended 30 September 2015, on which a qualified audit report has been published.

The Directors' Responsibility

The Directors are responsible for compiling the pro forma financial information on the basis of the JSE Listings Requirements and the FCA Prospectus Rules. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the pro forma financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion as required by the JSE Listings Requirements and United Kingdom Listing Authority ("UKLA") about whether the pro forma financial information has been properly compiled by the Directors on the basis of the JSE Listings Requirements and the FCA Prospectus Rules, based on our procedures.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have properly compiled the pro forma financial information on the basis of the JSE Listings Requirements and the FCA Prospectus Rules.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Part A and B).

Our firm applies International Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information. We are not responsible for reporting on any transactions beyond the period covered by our reasonable assurance engagement.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 September 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the Company, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- the pro forma financial information has been properly compiled on the basis stated and in accordance with the JSE Listings Requirements and the FCA Prospectus Rules; and
- such basis is consistent with the accounting policies of “Good Bank”.

Deloitte & Touche
Woodmead, Gauteng

Registered Auditor

Per: Graeme Berry
Partner

16 March 2016