



NEDBANK LIMITED

(Registration Number 1951/000009/06)

(incorporated with limited liability in South Africa)

(the "**Issuer**" or the "**Bank**")

U.S.\$2,000,000,000

Euro Medium Term Note Programme

This Prospectus has been approved by the United Kingdom Financial Conduct Authority (the "**FCA**"), which is the United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom, as a base prospectus issued in compliance with Article 5.4 of the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of notes ("**Notes**") issued under the Euro Medium Term Note Programme (the "**Programme**") described in this Prospectus during the period of 12 months after the date hereof. Applications have been made for such Notes to be admitted during the period of 12 months after the date hereof to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**") (the "**Market**"). The Market is a regulated market for the purposes of the Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

The requirement to publish a prospectus under the Prospectus Directive only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). References in this Prospectus to "**Exempt Notes**" are to Notes for which no prospectus is required to be published for any purpose under the Prospectus Directive. Exempt Notes do not form part of this base prospectus for the purposes of the Prospectus Directive and the UKLA has neither approved nor reviewed information contained in this Prospectus in connection with Exempt Notes. Exempt Notes may be admitted to listing, trading or quotation by any relevant authority, stock exchange and/or quotation system or be admitted to listing, trading and/or quotation by such other or further relevant authorities, stock exchanges and/or quotation systems, as may be agreed with the Issuer.

In the case of Exempt Notes, notice of the aggregate principal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche will be set out in a pricing supplement (the "**Pricing Supplement**"). In the case of Exempt Notes, references herein to "Final Terms" shall be deemed to be references to a "Pricing Supplement", so far as the context admits.

Notes to be issued under the Programme may comprise (i) unsubordinated Notes (the "**Unsubordinated Notes**"), (ii) credit linked Notes ("**Credit Linked Notes**") and (iii) Notes which are subordinated as described herein and the proceeds of which, subject to the Banks Act and the Capital Regulations (both as defined herein) will comprise either additional tier 1 capital of the Issuer ("**Additional Tier 1 Notes**") or tier 2 capital of the Issuer ("**Tier 2 Notes**" and together with the Additional Tier 1 Notes, "**Subordinated Notes**").

As further described herein, if a Trigger Event (as defined herein) occurs, a Write Off (as defined herein) of all or part of the principal amount of the Subordinated Notes and the relevant proportion of any accrued interest may occur. The Subordinated Notes will be cancelled in proportion to the principal amount so Written Off. Such a Write Off will result in the Noteholders losing the relevant principal amount of the Notes so Written Off, and losing the right to receive any accrued or future interest relating to the principal amount Written Off. Accordingly, Noteholders should be aware that they may lose their entire investment in the Subordinated Notes.

None of the Agents shall have any responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with a Trigger Event or any consequent Write Off and cancellation of the Subordinated Notes, or of any claims in respect thereof, and none of the Agents shall be responsible for any calculation or determination or the verification of any calculation or determination in connection with the same.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933 (the "**Securities Act**") or any state securities laws, and are being offered and sold outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**") and in the United States only to "qualified institutional buyers" in reliance on, and as defined by, Rule 144A under the Securities Act ("**Rule 144A**"), in each case in compliance with applicable securities laws. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The Notes may be issued on a continuing basis to one or more of the Dealers party to the amended and restated Dealership Agreement dated 15 May 2014 and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the

"Dealers"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus to the "**relevant Dealer**" shall, in the case of an issue of Instruments being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Instruments.

The approval of the Relevant Authority (as defined herein) is required in respect of the issue of Subordinated Notes the proceeds of which are intended to rank as Additional Tier 1 Capital Notes or Tier 2 Capital Notes.

The Notes to be issued under the Programme may from time to time be assigned credit ratings issued by Moody's Investors Service South Africa (Pty) Ltd and Fitch Southern Africa (Pty) Ltd.

Fitch Southern Africa (Pty) Ltd and Moody's Investors Service South Africa (Pty) Ltd are not established in the EEA and are not registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

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

Arranger and Dealer

Nedbank Capital

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IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Prospectus and any applicable Final Terms and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus and any applicable Final Terms is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "Terms and Conditions of the Notes" (the "**Conditions**") as completed by a document specific to such Tranche called final terms (the "**Final Terms**"), the form of which is set out in "Form of Final Terms" or in a separate prospectus specific to such Tranche (the "**Drawdown Prospectus**") as described under "Final Terms and Drawdown Prospectuses" below. In the case of a Tranche of Notes which is the subject of a Drawdown Prospectus, each reference in this Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus unless the context requires otherwise. This Prospectus must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Final Terms, must be read and construed together with the relevant Final Terms.

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

Any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Prospectus as completed by the Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer (except for the Issuer, as Nedbank Capital is a trading division of the Issuer and not a separate legal entity).

Neither the Dealers (except for the Issuer) nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus or any Final Terms nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Prospectus is true

subsequent to the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Prospectus and any Final Terms and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Prospectus or any Final Terms and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, Notes have not been and will not be registered under the Securities Act. Unless otherwise specified in a Final Terms or Drawdown Prospectus, each series of Notes will initially be privately placed exclusively with persons reasonably believed by the Dealers to be qualified institutional buyers within the meaning of Rule 144A or in other transactions exempt from registration in accordance with Regulation S. After their initial private placement, Notes may be resold to qualified institutional buyers in a transaction satisfying the requirements of Rule 144A or in transactions exempt from registration in accordance with Regulation S.

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

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

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

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed U.S.\$2,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to

compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

Series of Notes to be issued under the Programme will be rated or unrated. Where a Series of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to the Notes already issued. Whether or not a security rating in relation to any Series of Notes has been issued or endorsed by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies (the "**CRA Regulation**") will be disclosed in the relevant Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration has not been refused or (2) the rating is provided by a credit rating agency not established in the European Union but is endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (3) the rating is provided by a credit rating agency not established in the European Union which is certified under the CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Certain information included herein relating to the banking industry has been reproduced from information published by the SARB and the SA Financial Sector Forum. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and able to ascertain from information published by the SARB or the SA Financial Sector Forum, as the case may be, no facts have been omitted which would render the reproduced inaccurate or misleading.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

In this Prospectus, unless otherwise specified, references to a **"Member State"** are references to a Member State of the European Economic Area, references to **"South Africa"** are references to the Republic of South Africa, references to **"U.S.\$"**, **"U.S. dollars"** or **"dollars"** are to United States dollars, references to **"€"**, **"EUR"** or **"euro"** are to the single currency introduced at the start of the third stage of European Economic and Monetary Union, and as defined in Articles 2 of Council Regulation (EC) No 974/98 of 3 May 1998, as amended and references to **"ZAR"**, **"R"** or **"Rand"** are to South African rand.

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

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

In connection with the issue of any Tranche of Notes, the Dealer or Dealers acting as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any Notes issued by it are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Exchange Act of 1934 (the **"Exchange Act"**) nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or

beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

SUPPLEMENT TO THIS PROSPECTUS

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

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the audited consolidated financial statements of the Issuer for the financial years ended 31 December 2012 and 31 December 2013, respectively (together the "**Nedbank Financial Statements**") which have been previously published or are published simultaneously with this Prospectus and which have been approved by the Financial Conduct Authority or filed with it.

The tables below set out the page number references for certain sections of the Nedbank Financial Statements. The sections denoted by those page number references are incorporated in, and form part of, this Prospectus

Audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2012

| Information incorporated by reference into this Prospectus | Page number(s) of Issuer's audited consolidated financial statements for the year ended 31 December 2012 |
|---|---|
| Balance Sheet | Page 53 |
| Income statement | Page 52 |
| Cash Flow Statement | Page 60 |
| Accounting Principles and Notes | Pages 66-171 |
| Audit report | Page 8 |

Audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2013

| Information incorporated by reference into this Prospectus | Page number(s) of Issuer's audited consolidated financial statements for the year ended 31 December 2013 |
|---|---|
| Balance Sheet | Page 54 |
| Income statement | Page 53] |
| Cash Flow Statement | Page 60 |
| Accounting Principles and Notes | Pages 66-178 |
| Audit report | Page 52 |

Following the publication of this Prospectus a supplement may be prepared by the Issuer and approved by the FCA. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document which is incorporated by reference in this Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

To the extent that any statement that is contained in the information incorporated by reference is modified or superseded (whether expressly, by implication or otherwise) for the purpose of this Prospectus by a

statement contained in this Prospectus, such statements will not, except as so modified or superseded, form a part of this Prospectus.

Any documents which are themselves incorporated by reference in the information incorporated by reference in this Prospectus will not form part of this Prospectus.

Those parts of the Nedbank Financial Statements other than the information incorporated by reference are either not relevant for prospective investors in the Notes or the relevant information is included elsewhere in this Prospectus.

Electronic copies of the Nedbank Financial Statements can be obtained without charge from the Issuer's website at <http://www.nedbankgroup.co.za/pdfs/groupCompanies/Nedbank-Limited-AR-2012.pdf> and <http://www.nedbankgroup.co.za/pdfs/groupCompanies/Nedbank-Limited-AR-2013.pdf>

Physical copies of the Nedbank Financial Statements can be obtained without charge from the registered office of the Issuer.

RISK FACTORS

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

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

Definitions used herein are for the purposes of the Risk Factors section of the prospectus only.

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

Risks relating to the Bank

Risk Management

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

Whilst the Bank believes that it has implemented appropriate policies, systems and processes to control and mitigate these risks, investors should note that any failure to control these risks adequately could have an adverse effect on the financial condition and reputation of the Bank (see "*Risk Management*" below).

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

Concentration Risk

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

Liquidity Risk

The Bank has a high reliance on asset manager funding largely as a result of a low retail savings rate within South Africa. Approximately 60% of the Bank's funding base emanates from Nedbank's strong retail and commercial franchise and 40% from asset managers, in line with the structural funding mix of the domestic banking industry. However, given the impact of exchange controls, South African rand ("**Rand**") liquidity is contained within the Rand system thus significantly reducing the potential liquidity risks in South Africa compared to other more open financial systems. The liquidity benefits of South

Africa's closed Rand system were evident during the height of the sub-prime crisis (see "*Sources of deposits and other funding*" and "*Exchange Controls*" below). Although the Bank believes that its level of access to domestic and international inter-bank and capital markets and its liquidity risk management policy allow and will continue to allow the Bank to meet its short-term and long-term liquidity needs, any maturity mismatches may have a material adverse effect on its financial condition and results of operations. Furthermore, there can be no assurance that the Bank will be successful in obtaining additional sources of funds on acceptable terms or at all.

Sources of deposits and other funding

Due to exchange controls in South Africa, individuals and corporates are restricted from making deposits outside of South Africa. This has led to large deposits in the banks in South Africa being made by corporates and in particular by the local South African fund managers. The principal South African fund managers are the largest depositors in the South African banking market, making deposits on behalf of their customers to benefit from higher interest rates available to wholesale depositors. The Bank, in line with other South African banks, obtains a large percentage of its deposits from such fund managers. Further legislation in South Africa restricts the exposure that the fund managers can have to an individual bank, so the fund managers are required to spread their deposits amongst the banks. Nonetheless, exchange controls do create some level of depositor concentration risk.

Competitive Landscape

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

Risk of increases in loan impairments, particularly retail loans

The performance of the Bank is significantly influenced by the performance of the economy in South Africa, which in turn is influenced by global economic factors. A downturn in the global economic markets could result in a general reduction in business activity and a consequent loss of income for the Bank. A reduction in business activity or a downturn in the economic environment in South Africa could also cause a higher incidence of impairments and trading losses in the Bank's lending, trading and other portfolios (particularly in relation to retail loans) which could have an adverse effect on its financial condition and results of operations. This is a sector-wide risk that is not isolated to the Bank.

The Bank may be vulnerable to the failure of its systems and breaches of its security systems

The Bank relies on the proper functioning of its systems which may fail as a result of hardware or software failure or power or telecommunications failure. The occurrence of such a failure may not be adequately covered by its business resumption and disaster recovery planning. Any significant degradation, failure or lack of the Bank's information systems or any other systems in the trading process could therefore cause it to fail to complete transactions on a timely basis, could have an adverse effect on its business, results of operations and financial condition or could give rise to adverse regulatory and reputational consequences for the Bank's business.

The secure storage, use and transmission of confidential information is a critical element of the Bank's operations. The Bank's networks and systems may be vulnerable to unauthorised access and other security problems. The Bank cannot be certain that its existing security measures will prevent breaches including break-ins, viruses or disruptions. Persons that circumvent the security measures could use the Bank's or its client's confidential information wrongfully which could expose it to a risk of loss, adverse regulatory consequences or litigation.

The Bank's future success will depend in part on its ability to respond to changing technologies and demands of the market place. The Bank's failure to upgrade its information and communications systems on a time or cost-effective basis could have an adverse effect on its business, financial condition and/or operating results and could damage its relationship with its clients and counterparties.

Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that the Bank will be unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the United Kingdom Financial Conduct Authority (the "FCA") or the Prudential Regulation Authority.

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

The Bank's performance is dependent on the talents and efforts of key personnel, some of whom may have been employed by the Bank for a substantial period of time and have developed with the business. The Bank's continued ability to compete effectively and further develop its businesses also depends on its ability to attract new employees. In relation to the development and training of new staff, the Bank is reliant on the continued development of the educational sector within South Africa, including access to facilities and educational programmes by its future employees. The Bank has implemented programmes to attract new employees and equip them with appropriate skills.

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

Terrorist acts, and other acts of war or hostility and responses to those acts, may create economic and political uncertainties, which could have a negative impact on South Africa, and international economic conditions generally, and more specifically on the business and results of operations of the Bank in ways that cannot be predicted.

Risks relating to South Africa

Risk relating to Emerging Markets

South Africa is generally considered by international investors to be an emerging market. Investors in emerging markets such as South Africa should be aware that these markets are subject to greater risk than more developed markets. These risks include economic instability as well as, in some cases, legal and political risks.

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

- high interest rates;
- changes in currency values;
- high levels of inflation;
- exchange controls;
- wage and price controls;
- changes in economic or tax policies;
- the imposition of trade barriers; and
- internal security issues.

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

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

Risks relating to capital adequacy requirements

The Issuer is subject to the capital adequacy requirements prescribed by South African banking legislation, which provide for a minimum target ratio of capital to risk-adjusted assets, which could limit its operations. The Issuer must maintain a minimum level of capital based on risk-adjusted assets and off-balance-sheet exposures.

On 16 December 2010 the Basel Committee on Banking Supervision ("**BCBS**") published documents entitled "Basel Committee on Banking Supervision – Basel III: A global regulatory framework for more resilient banks and banking systems – December 2010" and "Basel Committee on Banking Supervision – Basel III: International Framework for liquidity risk measurements, standards and monitoring – December 2010" published by the Basel Committee on Banking Supervision on 16 December 2010, as supplemented and/or amended from time to time (the "**Basel III Accord**" or "**Basel III**"). Basel III provides, among other things, for three tiers of loss-absorbing capital: "**Tier 2 Capital**", "**Additional Tier 1 Capital**" and "**Common Equity Tier 1 Capital**" respectively, and together, "**Regulatory Capital**") which banks may hold in order to meet the capital adequacy requirements prescribed by applicable national legislation.

On and with effect from 1 January 2013 and 10 December 2013, respectively, Basel III was adopted and implemented in the South African regulatory framework, with various phase-in and transitional arrangements until 1 January 2019.

The main changes under Basel III can be summarised as follows:

- Basel III provides for tighter definitions of what constitutes acceptable regulatory capital. Basel III places enhanced emphasis on the consistency and quality of capital and on curtailing, among other things, liquidity risk. From a capital perspective the most heavily impacted banks are likely to be those with relatively large capital market businesses, particularly trading activities, complex securitisations, over-the-counter derivatives (counterparty credit risk) and securities lending. The Group has a relatively small capital markets business and therefore the overall impact is manageable.
- Basel III allocates a higher regulatory capital value to shareholders' equity than to subordinated loss-absorbing debt, preference shares and hybrid capital. For example, it is expected that Tier 2 Capital (which is the least subordinated form of capital) will be allowed to constitute less than the current 33% of a bank's overall capital
- Basel III has introduced two new buffers, against which banks are required to hold additional capital: a capital conservation buffer of 2.5% (if a bank's capital adequacy ratios fall below the minimum required ratio, including this buffer, the bank will be subject to dividend and bonus restrictions) and a countercyclical buffer that ranges between 0% and 2.5%, depending on whether the rate of credit extension exceeds the growth of the real economy. These buffers are due to be phased in from 2016, but market expectations could lead to earlier compliance.
- Basel III provides for a new maximum leverage ratio.
- Basel III has introduced two new minimum liquidity standards – the liquidity coverage ratio ("**LCR**") and the net stable funding ratio ("**NSFR**"). From a liquidity perspective, many banks, domestic and foreign, now meet the LCR requirements following the BCBS announcement on the 6 January 2013. However, based on industry estimates, compliance with the NSFR remains structurally challenging.
- Basel III also provides for enhanced capital requirements for derivatives, repurchase and securities financing transactions.

Basel III is a minimum global standard and, accordingly, the Registrar of Banks or such other governmental authority in South Africa as will have responsibility for making decisions as to the non-viability of banks (the "**Relevant Authority**") is not prevented from setting higher standards, as was done in South Africa with the implementation of Basel II.

The main impact of Basel III on the Bank is likely to be the requirement to hold increased and higher-quality capital and the requirement to hold levels of highly marketable securities in order to mitigate liquidity risk. These requirements will, in turn, increase the general cost of bank funding as the Bank looks to maintain higher levels of loss-absorbing capital than it was required to do under previous regulations and meet the requirements of the new liquidity ratios.

Uncertainties relating to South African implementation of Basel III

The amended Regulations Relating to Banks came into operation on 1 January 2013 and provide, among other things, for the partial implementation of the Basel III Accord in South Africa and the requirements with which, among other instruments, any Additional Tier 1 Notes or Tier 2 Notes (as applicable) (together the "**Subordinated Notes**") must comply in order for the proceeds of the issue thereof to as rank as Tier 2 Capital or Additional Tier 1 Capital.

However, the required amendments to the South African Banks Act, 1990 (the "**Banks Act**") to provide for the full implementation of the Basel III Accord in South Africa, were only recently promulgated and have only recently come into force (10 December 2013). These amendments are contained in the Banks Amendment Act, 2013, published in Government Gazette No. 37144 of 10 December 2013.

As a result, it is difficult for the Issuer to predict the precise effects of the changes that may result from the full implementation of Basel III in South Africa and/or what regulatory changes may be imposed in the future, or estimate, with accuracy, the impact that the full implementation of Basel III in South Africa and/or related regulatory changes that may be imposed in the future may have on the Issuer's business, the products and services it offers and the values of its assets. If, for example, the Issuer were required to make additional provisions, increase its reserves or capital, or exit or change certain businesses, as a result of the full implementation of Basel III in South Africa and/or related regulatory changes that may be imposed in the future, this could have an adverse effect on the Issuer's business, financial condition and results of operations.

"Grandfathering" of capital instruments issued before 1 January 2013

Under Basel III, capital instruments issued on or after 1 January 2013 are required to be written down or converted at the discretion of the relevant regulatory authority if it would be necessary to ensure the viability of the issuing bank or avoid a burden to taxpayers (the "**Loss Absorption PONV Requirements**"). The Loss Absorption PONV Requirements implemented in South Africa do not apply retrospectively and, accordingly, some or all of the capital instruments issued by the Issuer before 1 January 2013 will be phased out over a ten-year period from 1 January 2013. See further "*Risks relating to the Subordinated Notes – Loss absorption at the point of non-viability of the Issuer*".

The ability of the Issuer to replace these capital instruments with capital instruments which comply with Basel III and, where applicable, the Loss Absorption PONV Requirements, over the ten year period is uncertain, and will depend on the extent to which the uncertainties regarding the Regulations Relating to Banks and the Banks Act have been resolved to enable the issue of such capital instruments in significant volumes, the appetite of the capital markets for capital instruments and the ability to issue such capital instruments at a price mutually acceptable to the Issuer and investors.

Any failure by the Issuer to maintain its capital adequacy ratios may result in sanctions against the Issuer, which may in turn impact on its ability to maintain the size of its balance sheet and/or fulfil its obligations under the Notes.

Exchange Controls

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

Risks relating to the Financial Markets

The investments, business, profitability and results of operations of the Issuer may be adversely affected as a result of the difficult conditions in the financial markets

Since the second half of 2007, disruption in the global credit markets, coupled with the re-pricing of credit risk and the deterioration of the housing markets in the United States and elsewhere, has created increasingly difficult conditions in the global financial markets. Among the sectors of the global credit markets that experienced particular difficulty due to the crisis were the markets associated with sub-prime mortgage backed securities, asset backed securities, collateralised debt obligations, leveraged finance and complex structured securities. These conditions resulted in historically high volatility, less liquidity or no liquidity, widening of credit spreads and a lack of price transparency in certain markets.

In addition, these conditions resulted in the failure of a number of financial institutions in the United States, Europe and Asia and unprecedented action by governmental authorities and central banks around the world. It is difficult to predict the long-term implications of this financial crisis. The conditions outlined above may be further exacerbated by persisting volatility in the financial sector and the capital markets, or concerns about, or a default by, one or more institutions, which could lead to significant market-wide liquidity problems, losses or defaults by other institutions.

This global financial crisis has caused significant slowdown in growth in first world economies which has impacted emerging market economies, including South Africa. While some economic indicators are suggesting financial markets and economic conditions may start to improve, the risk remains that the issues outlined above could further affect the Issuer and the banking sector in general. Furthermore, it is not possible to predict what structural and/or regulatory changes may result from the current market conditions or whether such changes may be materially adverse to the Issuer and its prospects.

If current market conditions and circumstances deteriorate further, or continue for protracted periods of time, this could lead to a decline in credit quality, amendments to asset prices, increases in defaults and non-performing debt and/or a worsening of general economic conditions in the markets in which the Issuer operates, all of which may materially adversely affect the Issuer's business, profitability and results of operations.

Risks relating to the Notes

There is no active trading market for the Notes

Notes issued under the Euro Medium Term Note Programme described in this prospectus (the "**Programme**") will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular tranche, such tranche is to be consolidated with and form a single series with a tranche of Notes which is already issued). If the Notes are traded after

their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes issued under the Programme to be admitted to listing on the Official List of the FCA and to trading on the Regulated Market of the London Stock Exchange plc (the "**Market**"), there is no assurance that such applications will be accepted, that any particular Series of Notes will be so admitted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for any particular Series of Notes.

Exchange rate risks

The Issuer will pay principal and interest on the Notes in the currency specified in the final terms document relating to such Notes (the "**Final Terms**"). This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the specified currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the specified currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the specified currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Interest rate risks

Investment in Notes that bear a fixed rate of interest ("**Fixed Rate Notes**") involves the risk that if market interest rates subsequently increase, the return offered by the Fixed Rate Notes may be less attractive to investors than other securities available in the market, and this may in turn adversely affect the value of the Fixed Rate Notes.

The Notes may be redeemed prior to maturity

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of South Africa and (where the Issuer is acting through its London Branch) the United Kingdom or any political subdivision thereof or any authority therein or thereof having power to tax, the Issuer may redeem all outstanding Notes in accordance with the Terms and Conditions of the Notes (the "**Conditions**").

In addition, if in the case of any particular Series of Notes the relevant Final Terms specify that the Notes are redeemable at the Issuer's option in certain other circumstances, the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes. Any redemption of Subordinated Notes prior to their maturity date requires the prior written approval of the South African Registrar of Banks (the "**Relevant Authority**").

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

Notes issued under the Programme may be represented by one or more Global Note Certificates. Such Global Note Certificates will be deposited with a common depositary for Euroclear Bank S.A/N.V. ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and/or a nominee of The Depository Trust Company ("**DTC**"). Except in the circumstances described in the relevant Global Note Certificate, investors will not be entitled to receive individual note certificates. Euroclear and Clearstream, Luxembourg and/or DTC, as the case may be, will maintain records of the beneficial interests in the Global Note Certificates.

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

Holders of beneficial interests in the Global Note Certificates will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg and/or DTC, as the case may be, to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Note Certificates will not have a direct right under the Global Note Certificates to take enforcement action against the Issuer in the event of a default under the relevant Notes but will have to rely upon their rights under a deed of covenant dated 15 May 2014 (the "**Deed of Covenant**").

Credit Rating

A Series of Notes issued under the Programme may be rated or unrated. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and below, and other factors that may affect the value of the Notes. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Any adverse change in an applicable credit rating could make the Notes less attractive to potential investors and therefore adversely affect the trading price for the Notes issued under the Programme.

EU Savings Directive and Other Withholding Tax Obligations

If, pursuant to the European Council Directive 2003/48/EC on the taxation of savings income, ("**EU Savings Directive**"), or any law implementing or complying with, or introduced in order to conform to such Directive, a payment in respect of a Note were to be made by or collected through a person in a member State of the European Economic Area (a "**Member State**") which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts with respect to such Note as a result of the imposition of such withholding tax. The Issuer will be required to maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to such Directive or any such implementing Directive.

The European Council formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

Foreign Account Tax Compliance Act

The U.S. "**Foreign Account Tax Compliance Act**" or "**FATCA**" imposes a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution.

While the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. An Issuer's obligations under the Notes are discharged once it has paid the common depository for the clearing systems (as bearer or registered holder of the Notes) and an Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the clearing systems and custodians or intermediaries. Prospective investors should refer to the section "*Taxation – U.S. Withholding Tax Under FATCA*".

Bail-in option

Guidance Note 7/2013 headed "*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital instruments*", dated 18 October 2013, issued by the South African Registrar of Banks in terms of section 6(5) of the Banks Act has made clear that the SARB and National Treasury are in the process of implementing a statutory bail-in option under South African law, although the scope and timing of any such measures are uncertain (see "*Risks relating to the Subordinated Notes*" – "*Loss absorption at the point of non-viability of the Issuer*" below). The bail-in option is likely to empower the Relevant Authority to recapitalise a failed financial institution by allocating losses to its shareholders and unsecured creditors in a manner that respects the hierarchy of claims in an insolvency of the relevant financial institution, consistent with shareholders and creditors of the relevant financial institution not receiving less favourable treatment than they would have done in insolvency. The bail-in option may include the power to cancel a liability or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the Bank (including both senior and subordinated liabilities) and the power to convert a liability from one form to another. Although not certain, the conditions for use of the bail-in option are likely to be, in summary, that (i) the Relevant Authority determines that the Bank is failing or is likely to fail, (ii) it is not reasonably likely that any other action can be taken to avoid the Bank's failure and (iii) the Relevant Authority determines that it is in the public interest to exercise the bail-in option. Any future bail-in option exercised by the Relevant Authority in respect of the Notes is likely to involve the exercise of some discretion by the Relevant Authority, and could potentially result in a holder of such Notes losing part of, or the entire value of, their investment in such Notes. In such circumstances, holders of the Notes will have no right or claim against the Bank of New York Mellon in any capacity, nor any claim against the Issuer in respect of the amount of their investment which is cancelled in this way.

The rights of holders of the Notes to challenge the exercise of any bail-in option by the Relevant Authority are likely to be limited

As the relevant legislation is yet to be passed, there is uncertainty as to the extent, if any, that due process rights or procedures will be provided to holders of securities (including the Notes) subject to the bail-in option when the final rules are implemented. Therefore, holders of the Notes may have limited rights to challenge any decision of the Relevant Authority to exercise its bail-in option or to have that decision reviewed by a judicial or administrative process or otherwise.

Risks related to the structure of the particular issue of Notes

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

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as the London Interbank Offered Rate. The market values of such Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

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

Modification and waivers and substitution

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

If, (i) as a result of a change in applicable tax laws the Issuer is required to pay additional amounts to compensate holders of a Series of Additional Tier 1 Notes for a withholding in respect of tax levied by South Africa or (if the Issuer is acting through its London Branch in respect of any issue of Additional Tier 1 Notes) the United Kingdom, or is no longer able to claim deductions to the same extent in respect of computing its taxation liabilities or (ii) the Issuer's treatment of the interest payable by it on the Additional Tier 1 Notes as a tax deductible expense for South African or (if the Issuer is acting through its London Branch in respect of any issue of Notes) United Kingdom, income tax purposes is not accepted by the South African Revenue Service or Her Majesty's Revenue and Customs, as applicable (each, a "**Tax Event**"); or (iii) as a result of a change in or amendment to the applicable capital regulations (or any change in the application of, or the official or generally published guidance or interpretation regarding, the same) the whole or any part of the aggregate principal amount of that Series of Additional Tier 1 Notes is excluded from qualifying as Regulatory Capital of the Issuer or the Controlling Company (a "**Regulatory Event**"), as the case may be, then the Issuer may, without the consent of holders, elect to substitute all (but not some only), of the Additional Tier 1 Notes, or vary the terms of all (but not some only) of the Additional Tier 1 Notes so that they either continue to qualify as Additional Tier 1 Notes or become Tier 2 Notes in accordance with the applicable capital regulations.

Save to the extent necessary to ensure that substituted or varied Subordinated Notes continue to comply with the then current requirements of the capital regulations in relation to Additional Tier 1 Capital or Tier 2 Capital, any such substituted or varied Subordinated Notes must be issued directly or indirectly by the Issuer and have terms not materially less favourable to the Noteholders than the terms of the Additional Tier 1 Notes which they replace.

Change of law

The Notes are governed by, and will be construed in accordance with, English law save that the provisions of Condition 5 (*Status*) are governed by, and will be construed in accordance with, South African law. Any possible judicial decision or change to English or South African law or administrative practice in either such jurisdiction after the date of this prospectus could affect the ability of holders to enforce their contractual rights in relation to the Notes which could, in turn, adversely affect the trading price for the Notes.

Risks relating to the Subordinated Notes

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

The payment obligations of the Issuer under Subordinated Notes will rank behind Unsubordinated Notes and in particular the payment obligations of the Issuer under (a) Additional Tier 1 Notes will rank behind Unsubordinated Notes and Tier 2 Notes and (b) Tier 2 Notes will rank behind Unsubordinated Notes.

With regard to any Subordinated Notes, if the Issuer is placed into liquidation or wound-up, the Issuer will be required to pay or discharge the claims of persons having a claim against the Issuer in respect of deposits ("**Depositors**"), Senior Creditors and, in the case of Additional Tier 1 Notes, any subordinated term debt issued by the Issuer the proceeds of which qualify as Tier 2 Capital of the Issuer ("**Subordinated Debt**"), in full before it can make any payments in respect of such Tier 2 Notes or Additional Tier 1 Notes (as applicable). If this occurs, the Issuer may not have enough assets remaining after these payments to pay amounts due under such Subordinated Notes.

No Limitation on Issuing Securities

There is no restriction on the amount of securities or indebtedness which the Issuer may issue or incur which rank senior to or *pari passu* with the Subordinated Notes in the event that the Issuer is wound up or placed into liquidation. The issue of any such securities or indebtedness may reduce the amount recoverable by holders of Subordinated Notes on either a winding-up or liquidation of the Issuer.

Winding-up or liquidation

If the Issuer is wound-up or put into liquidation, whether voluntarily or involuntarily, holders of Subordinated Notes will not be entitled to any payments on the Subordinated Notes until the claims of Depositors, Senior Creditors and in the case of Additional Tier 1 Notes, holders of Subordinated Debt, which are admissible in any such winding-up or liquidation have been paid or discharged in full. If the Issuer does not have sufficient assets at the time of winding-up or liquidation to satisfy those claims, holders of Tier 2 Notes or Additional Tier 1 Notes (as applicable) may not receive any payment on the Subordinated Notes. There is no limitation on the ability to issue debt securities in the future that would rank equal or senior in winding-up or liquidation to the Tier 2 Notes or Additional Tier 1 Notes (as applicable).

Capital Regulations

In order for the proceeds of the issuance of a Series of Subordinated Notes to qualify as Additional Tier 1 Notes or Tier 2 Notes, as the case may be, the Subordinated Notes must comply with the applicable capital regulations and such additional conditions (if any) as may be prescribed by the Relevant Authority for the proceeds of the issue of that Series of Subordinated Notes to qualify as Regulatory Capital.

Limitation on Remedies

If default is made in the payment of any principal or interest due on the Tier 2 Notes for a period of 5 (five) days or more after the date on which payment of such principal is due or 10 (ten) days or more after the date on which payment of such interest is due (as the case may be), any holder of the Tier 2 Notes (a "**Tier 2 Noteholder**") may institute proceedings for the winding-up of the Bank and/or prove in any winding-up of the Bank, but may take no other action in respect of that default.

Payments of principal and/or interest on the Tier 2 Notes may not be accelerated by any Tier 2 Noteholder except in the case of bankruptcy and/or liquidation of the Bank.

If any step (including an application, a proposal or a convening of a meeting) is taken by any person with a view to having the Bank liquidated and an order is thereafter passed for the liquidation of the Bank, all of the Tier 2 Notes shall be deemed, on the date on which such step is taken, to have been declared forthwith due and payable (whether or not due for payment and without further action or formality), at their principal amount or such other amount as may be specified in the applicable Final Terms, on and with effect from the day preceding the date on which such order for the liquidation of the Bank is passed.

If default is made in the payment of any principal or interest due on the Additional Tier 1 Notes for a period of 7 (seven) days or more after any date on which payment of such principal or such interest is due, each holder of an Additional Tier 1 Note ("**Additional Tier 1 Noteholder**") may at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove in any winding-up of the Issuer, but may take no other action in respect of such default.

Loss absorption at the point of non-viability of the Issuer and write-down of Additional Tier 1 Notes

For purposes of the implementation of the Basel III Accord (or the applicable provisions thereof) in South Africa, the Loss Absorption PONV Requirements are currently required to be incorporated by contract in order to be effective and the relevant contractual provisions are set out in the Regulations Relating to Banks as read with Guidance Note 7/2013 headed "*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital instruments*", dated 18 October 2013, issued by the South African Registrar of Banks (as the current Relevant Authority) in terms of section 6(5) of the Banks Act ("**Guidance Note 7**").

However, it is expected that duly enforceable legislation will be enacted in South Africa that will provide for, among other things, the Loss Absorption PONV Requirements. Guidance Note 7 makes it clear that SARB and the National Treasury "*are in the process of drafting legislation for the South African recovery and resolution regime that will also make provision for statutory bail-in*". This legislation "*will also cover trigger events at the point of non-viability for purpose of that legislation and it is foreseen that the capital ratio related triggers will be similar*".

Under the Loss Absorption PONV Requirements provided for in the Regulations Relating to Banks as read with Guidance Note 7, the terms and conditions of all instruments, the proceeds of which rank (or are intended to rank) as Tier 2 Capital or Additional Tier 1 Capital must have a provision that requires such instruments, at the occurrence of the relevant "trigger event" (at the discretion of the Relevant Authority the interest and principal payable in respect of such instruments to either be written off and cancelled ("**Write-off**", and "**Written Off**" shall be construed accordingly) or converted into "common equity" (that is, ordinary shares) ("**Conversion**", and "**Converted**" shall be construed accordingly).

The "trigger event" for a Series of Additional Tier 1 Notes which are accounted as equity (if any) and a Series of Tier 2 Notes will be the occurrence of the "trigger event" specified in writing by the Relevant Authority (as contemplated in the Regulations Relating to Banks). As long as the Relevant Authority specifies in writing that such a trigger event has occurred, no further formalities are required to be observed. The Regulations Relating to Banks do however impose a requirement on the Relevant Authority that, as a minimum, the aforesaid "trigger event": must be the earlier of:

- a decision by the Relevant Authority that a write-off, without which the Bank would become non-viable, is necessary; and
- the decision by the Relevant Authority to make a public sector injection of capital, or equivalent support, into the Bank without which the Bank would have become non-viable.

The "trigger event" for a Series of Additional Tier 1 Notes which are accounted as liabilities will be the first to occur of the following events:

- the occurrence of the "trigger event" specified in writing by the Relevant Authority (as described above); and
- the "common equity tier 1 capital" ratio of the Issuer ("**CET 1 Ratio**") is equal to or falls below 5.875% of risk-weighted exposures.

This Prospectus does not provide for the Conversion of Subordinated Notes on the occurrence of the Trigger Event (at the discretion of the Relevant Authority). At the occurrence of the Trigger Event (at the discretion of the Relevant Authority) Subordinated Notes may be Written-Off in whole or in part. This may result in Noteholders of Subordinated Notes losing some or all of their investment. The occurrence of the Trigger Event or any suggestion of any such occurrence, and fluctuations in the Issuer's CET 1 Ratio, could materially adversely affect the market price of Subordinated Notes.

None of the Agents shall have any responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with a Trigger Event or any consequent Write Off and cancellation of the Subordinated Notes or any claims in respect thereof, and none of the Agents shall be responsible for any calculation or determination or the verification of any calculation or determination in connection with the foregoing.

Determination and Notification of Trigger Event

The Relevant Authority has considerable discretion as to whether or not a Trigger Event has occurred. In relation to the Loss Absorption PONV Requirements which are applicable to both Additional Tier 1 Notes and Tier 2 Notes, the Relevant Authority has discretion to determine whether or not: (i) a Write-Off or (ii) a public sector injection of capital, is required in order to avoid the Bank ceasing to be viable.

The enabling provisions of the Regulations Relating to Banks which implement the Loss Absorption PONV Requirements also provide that the trigger event must "*as a minimum*" be the earlier of the Relevant Authority's decision that either (i) or (ii) applies. This wording appears to grant the Relevant Authority discretion to impose trigger events which may occur earlier than those specifically contemplated above. Noteholders are therefore exposed to the risk that their Subordinated Notes may be Written-Off (whether in whole or in part), before either (i) or (ii) applies. Whilst Guidance Note 7 foresees that further legislative guidance will be provided in due course, as at the date of this Prospectus the Bank cannot give any further assurances as to what such trigger events will be, or the implications for investors in Subordinated Notes.

Moreover, in relation to liability accounted Additional Tier 1 Notes, South African legislation does not prescribe whether it is the Relevant Authority or the Bank who is ultimately responsible for determining the CET 1 Ratio of the Bank. Whilst the Bank regularly publishes its CET 1 Ratio in both its annual and half yearly financial statements, it is not certain that the Relevant Authority will necessarily agree with the Bank's determination of its CET 1 Ratio from time to time, and the Relevant Authority may carry out its own assessment of the Bank's CET 1 Ratio before determining that a Trigger Event has occurred.

It is also uncertain as to the time period that may elapse between the Relevant Authority's determination that a Trigger Event has occurred in respect of any Series of Subordinated Notes, and its communication of that decision to the Bank. Whilst the Bank expects that any such notification would be made swiftly in

order to ensure market stability, the Relevant Authority is not required to act within any particular time period. Because the Write Off is specified to occur as at the date of the Trigger Event (and not the date on which the Relevant Authority notifies the Bank of such occurrence), there is a risk that there is delay between the Relevant Authority's decision to impose a Write- Off and the Bank being able to notify Noteholders of this occurrence.

Additional Risks relating to Additional Tier 1 Notes

Election not to pay interest on Additional Tier 1 Notes

The Issuer may elect not to pay any interest payment (or any portion thereof) on the Additional Tier 1 Notes, on the relevant interest payment date. The Issuer shall also be obliged to elect not to pay any interest payment, on the relevant interest payment date if:

- (i) the Issuer is in breach of the capital regulations on the business day prior to the relevant interest payment date or would be in breach of the capital regulations if the relevant interest payment (or any portion thereof) were paid on the relevant interest payment date; or
- (ii) if the Relevant Authority imposes a mandatory prohibition on the payment by the Issuer of interest.

Any interest not so paid on any such interest payment date shall be cancelled and shall no longer be due and payable by the Issuer. Such a cancellation of interest does not constitute an event of default under the Additional Tier 1 Notes for any purpose.

Any actual or anticipated cancellation of interest on the Additional Tier 1 Notes will likely have an adverse effect on the market price of the Additional Tier 1 Notes. In addition, as a result of the interest cancellation provisions of the Additional Tier 1 Notes, the market price of the Additional Tier 1 Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer's financial condition.

Perpetual securities

The Additional Tier 1 Notes have no fixed maturity date and will only be redeemed, at the aggregate outstanding principal amount of the Additional Tier 1 Notes plus accrued interest (if any), on a winding-up or liquidation of the Issuer (other than a solvent reconstruction).

The Additional Tier 1 Notes may only be redeemed, substituted, varied or purchased prior to a winding-up or liquidation of the Issuer upon the occurrence of a Tax Event or a Regulatory Event, or at the option of the Issuer. Holders may therefore be required to bear the risks of an investment in the Notes for an indefinite period of time.

Substitution or variation

If a Tax Event or a Regulatory Event, as the case may be, has occurred and is continuing, then the Issuer may, at its option, instead of giving notice to redeem a Series of Additional Tier 1 Notes for tax or regulatory reasons, as the case may be, substitute at any time all (but not some only) of the Additional Tier 1 Notes in that Series for, or vary the Conditions of that Series of Additional Tier 1 Notes so that they continue to qualify as Additional Tier 1 Capital Securities or become qualifying Tier 2 Capital Securities. Any such substitution or variation will be subject to satisfaction of the following conditions:

- (i) the Issuer having notified the Relevant Authority of its intention to substitute or vary that Series of Additional Tier 1 Notes and having received written approval from the Relevant Authority; and
- (ii) both at the time when the notice of substitution or variation of that Series of Additional Tier 1 Notes is given and immediately following the substitution or variation of that Series

of Additional Tier 1 Notes, the Issuer is or will be (as the case may be) in compliance with its capital adequacy requirements as provided in the capital regulations (except to the extent that the Relevant Authority no longer so requires) as confirmed by the Relevant Authority.

Risks relating to the Credit Linked Notes

The Issuer's obligations to make payment in respect of Credit Linked Notes is dependent on the performance of one or more Reference Entities

The Issuer may issue Notes under the Programme which are credit-linked to the performance of one or more legal entities ("**Reference Entities**") and the obligations of such Reference Entity/ies ("**Credit Linked Notes**"). Prospective investors should note that Credit Linked Notes differ from ordinary debt securities issued by the Issuer in that the amount of principal and interest payable by the Issuer is dependent on whether certain defaults, bankruptcy or restructuring events ("**Credit Events**") have occurred in respect of the relevant Reference Entity/ies. In certain circumstances the Notes will cease to bear interest and the value paid to Noteholders on redemption may be less than their original investment and may in certain circumstances be zero.

Payments of interest and principal in relation to Credit Linked Notes may be postponed.

If, on the scheduled maturity date, the Issuer determines that certain Credit Events either have occurred or may have occurred, the Issuer will postpone the redemption of the Notes and the final payment date will be postponed. As a result, the payments of any accrued but unpaid interest scheduled to be paid on the final payment date and/or the redemption of the Notes at maturity will not be paid and will be postponed. No additional amount in respect of interest will be payable in connection with the postponement of the redemption of the Notes and the postponement of the Final Payment Date. No interest will accrue on any Note after the Final Payment Date. Potential investors should therefore be aware that payment of interest or principal in respect of Credit Linked Notes may occur at a different time than expected.

Noteholders may be exposed to the risk of default by a Reference Entity for a period which is different to the term of the Notes

Investors in the Credit Linked Notes will be exposed to the credit risk of the Reference Entity/ies from the date specified in the Final Terms, which may be a date prior to the Issue Date of the Notes. Neither the Issuer nor any other person on its behalf makes any representation or warranty, express or implied, as to the credit quality of the Reference Entity/ies. The Issuer may have acquired, or during the term of the Notes may acquire, confidential information with respect to the Reference Entity/ies and is not required to disclose this information to Noteholders or any other party.

Noteholders are exposed to the creditworthiness of Reference Entities, but do not have any contractual rights against those Reference Entities under the terms of the Notes

Holders of Credit Linked Notes will have a contractual relationship only with the Issuer and not with any Reference Entity. Consequently, Credit Linked Notes will not constitute a purchase or other acquisition or assignment of any interest in any Reference Entity or debt obligation of that Reference Entity (a "**Reference Obligation**"). Holders of Credit Linked Notes will have rights solely against the Issuer and will have no recourse against any Reference Obligation or any Reference Entity. Noteholders will not have any rights to acquire from the Issuer (or to require the Issuer to transfer, assign or otherwise dispose of) any interest in any Reference Obligation or any Reference Entity.

The Credit Linked Notes are linked to the creditworthiness of the relevant Reference Entity/ies. The likelihood of a Credit Event occurring in respect of any Reference Entity will generally fluctuate with, among other things, the financial condition and other characteristics of such Reference Entity, general economic conditions, the condition of certain financial markets, political events, developments or trends in

any particular industry and changes in prevailing interest rates. The market price of Credit Linked Notes may be very volatile and it is impossible to predict how the performance of the relevant Reference Entity/ies will vary over time. The timing of changes in the performance of the relevant Reference Entity/ies may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier a Credit Event occurs in respect of the relevant Reference Entity/ies, the greater the effect on yield. Investors should also be aware that the price at which an investor will be able to sell Credit Linked Notes prior to the final payment date may be at a substantial discount to the market value of such Notes at the time they are issued depending on the performance of the relevant Reference Entity/ies and occurrence or non-occurrence of a Credit Event in respect of such Reference Entity/ies.

The determination of the final value of a Credit Linked Note is dependent upon market conditions

Any quotations used in the calculation of the value of any obligation of the Reference Entity which is used to determine the redemption amount payable in respect of the Notes (a "**Valuation Obligation**") may be affected by factors other than the occurrence of the Credit Event. Such prices may vary widely from dealer to dealer and where the valuations are taken on different dates. The obligations selected, even absent a Credit Event, may be illiquid and such illiquidity may be expected to be more pronounced following the occurrence of a Credit Event, thereby adversely affecting any determination of the value of such obligation which in turn will impact on the amount by which the redemption amount of the Notes may be reduced. The Fiscal Agent, or such other person specified in the relevant final terms as the party responsible for making calculations (the "**Calculation Agent**") is entitled to select the obligation which has the lowest value in the market at the relevant time – providing such obligation satisfies certain specifications and limits for qualification as a Reference Obligation – for the purposes of calculating the amount by which the redemption amount is reduced following a Credit Event.

Some Reference Obligations may have no, or only a limited, trading market. The liquidity of Reference Obligations will generally fluctuate with, among other things, the underlying liquidity of the loan and bond markets, general economic conditions, domestic and international political events, developments or trends in a particular industry and the financial condition of the relevant Reference Entity/ies. The financial markets have experienced periods of volatility and reduced liquidity which may re-occur and reduce the market value of the relevant Reference Obligation(s).

Some or all of the Reference Obligations may also be subject to restrictions on transfer and may be considered illiquid. If a Credit Event occurs in respect of a Reference Entity, any resulting diminution in market value of the related Reference Obligation could be further magnified by reason of such limited liquidity for Reference Obligations generally or that Reference Obligation in particular.

The Issuer's obligations in respect of Credit Linked Notes exist regardless of the existence or amount of the Issuer's and/or any of its affiliates' credit exposure to a Reference Entity and the Issuer and/or any affiliate need not suffer any loss nor provide evidence of any loss as a result of the occurrence of a Credit Event.

2003 ISDA Credit Derivatives Definitions

The terms and conditions of Credit Linked Notes do not incorporate by reference the definitions and provisions of the 2003 ISDA Credit Derivatives Definitions as amended and/or supplemented from time to time (the "**Credit Derivatives Definitions**"). While there are many similarities between the terms used in this prospectus and the terms used in the Credit Derivatives Definitions there are a number of significant differences. In particular, the Issuer has determined that certain provisions of the Credit Derivatives Definitions, which are intended for use by market participants in "over the counter" transactions, require amendments when incorporated in the terms of an offering of Credit Linked Notes. Consequently, investing in the Credit Linked Notes is not exactly equivalent to investing in a credit default swap that incorporates the Credit Derivatives Definitions.

While ISDA has published and supplemented the Credit Derivatives Definitions in order to facilitate transactions and promote uniformity in the credit derivative market, the credit derivative market has evolved over time and is expected to continue to change. Consequently, the Credit Derivatives Definitions and the terms applied to credit derivatives, including credit linked securities, are subject to interpretation and further evolution. Past events have shown that the views of market participants may differ as to how the Credit Derivatives Definitions operate or should operate. As a result of the continued evolution in the market, interpretation of the Credit Linked Notes may differ in the future because of future market standards. Such a result may have a negative impact on the Credit Linked Notes.

Future amendments or supplements to the terms applicable to credit derivatives generally will only apply to Credit Linked Notes that have already been issued if the Issuer and the Noteholders agree to amend the Credit Linked Notes to incorporate such amendments or supplements and other conditions to amending the Credit Linked Notes have been met.

Risks relating to determinations made by Credit Derivatives Determinations Committees

Credit Derivatives Determinations Committees were established pursuant to the March 2009 Supplement to the 2003 ISDA Credit Derivatives Definitions to make determinations that are relevant to the majority of the credit derivatives market and to promote transparency and consistency.

In making any determination in its capacity as Calculation Agent or Issuer, it may have regard to decisions made by announcements, determinations and resolutions made by ISDA and/or the ISDA Credit Derivatives Determinations Committees. Such announcements, determinations and resolutions could affect the redemption and settlement of the Credit Linked Notes (including the quantum and timing of payments and/or deliveries on redemption). For the avoidance of doubt, neither the Issuer nor the Calculation Agent accepts any liability to any person for any determinations, redemption, calculations and/or delay or suspension of payments and/or redemption of Credit Linked Notes resulting from or relating to announcements, publications, determinations and resolutions made by the International Swaps and Derivatives Association ("**ISDA**") and/or any Credit Derivatives Determinations Committee.

By subscribing for or purchasing Credit Linked Notes, each Noteholder shall be deemed to agree that (i) no party to any Credit Derivatives Determination Committee procedures (a "**DC Party**") and no legal counsel or other third-party professional hired by a DC Party in connection with such DC Party's performance of its respective duties under the rules of such committee (the "**Rules**") and/or any relevant Credit Derivatives Auction Settlement Terms published by the ISDA, as applicable, shall be liable to Noteholders, and (ii) no DC Party and no legal counsel or other third-party professional hired by a DC Party in connection with such DC Party's performance of its respective duties under the Rules and/or any relevant Credit Derivatives Auction Settlement Terms is acting as fiduciary for, or as an advisor to, Noteholders.

Auction Settlement

If Auction Settlement is applicable in respect of any Credit Linked Notes, then the amounts payable by and/or rights and obligations of the parties under such Credit Linked Notes in respect of the relevant Reference Entity or Reference Obligation, will be determined by reference to the price determined through ISDA's auction procedures for resolution of the relevant Credit Event (the "**Auction Final Price**"). Noteholders will be subject to the risk that where the Auction Final Price is used, this may result in a lower recovery value than a Reference Entity or Reference Obligation would have if such Auction Final Price had not been used.

Auction Final Price and the Issuer's ability to influence the Auction Final Price

If the Notes are redeemed following the occurrence of a Credit Event, the amount payable in respect of the Notes may be determined by reference to the Auction Final Price determined according to an auction procedure set out in the applicable Credit Derivatives Auction Settlement Terms. There is a possibility that the Issuer or the Calculation Agent (or one of their respective affiliates) would act as a participating bidder

in any such auction. In such capacity, it may take certain actions which may influence the Auction Final Price including (without limitation): (a) providing rates of conversion to determine the applicable currency conversion rates to be used to convert any obligations which are not denominated in the auction currency into such currency for the purposes of the auction; and (b) submitting bids, offers and physical settlement requests with respect to the relevant obligations of the Reference Entity that are subject to the auction. In deciding whether to take any such action (or whether to act as a participating bidder in any auction), the Issuer or the Calculation Agent (or an affiliate of any of them) will be under no obligation to consider the interests of any Noteholder.

If the relevant Credit Derivatives Determinations Committee decides not to conduct an auction with respect to obligations of the relevant Reference Entity satisfying the relevant characteristics as set out in the applicable final terms, then either the Final Price will be determined by market quotation or the Issuer will physically deliver Deliverable Obligations to Noteholders.

Credit Event and Succession Event Backstop Dates

In respect of a Credit Event relating to a series of Credit Linked Notes, a Credit Event may not be triggered unless either (i) a request is submitted to ISDA for the relevant Credit Derivatives Determinations Committee to consider whether the relevant event constitutes a Credit Event within 60 calendar days of the occurrence of such potential Credit Event or (ii) a Credit Event Notice (and, if specified as applicable in the relevant Final Terms, a notice corroborating the occurrence of the Credit Event by reference to publicly available information is delivered by the Issuer to the Calculation Agent within 75 calendar days of the occurrence of such potential Credit Event and is effective during the period specified for the delivery of such notice (the "**Notice Delivery Period**"). For events where one Reference Obligation is substituted, or succeeded, by another ("**Succession Events**"), the look-back mechanics operate in a similar way to the above to provide a cut-off date for any Succession Event to apply to the relevant Credit Linked Notes. The actual look-back period for a Succession Event is either (i) 90 calendar days from the date on which a request is given to a Credit Derivatives Determinations Committee regarding a Succession Event or (ii) 105 calendar days from the date on which a Succession Event Notice is effectively delivered by the Calculation Agent to the Issuer. A Succession Event occurring prior to such 90 calendar day period or 105 calendar day period (as applicable) will not apply to Credit Linked Notes, even if the relevant Succession Event takes place within the term of such Credit Linked Notes. These provisions mean that there is a time limit on the ability to act on a Credit Event or Succession Event and that it is possible that the Notes could be affected by a Credit Event or Succession Event that took place prior to the trade date specified in the Final Terms (the "**Trade Date**").

Selection and valuation of Deliverable Obligations or Valuation Obligations

The entity responsible for selecting the Deliverable Obligation(s) to be delivered to Noteholders (in the case of physically-settled Credit Linked Notes) or Valuation Obligation(s) to be valued in order to determine the payments due on the Notes (in the case of cash-settled Credit Linked Notes to which "Auction Settlement" does not apply or to which "Auction Settlement" but no Auction has been held) will, depending on the terms of the Notes, be the Issuer. The Issuer will be under no obligation to the Noteholders or any other person and, provided that the Deliverable Obligation or Valuation Obligation (as applicable) selected meets the applicable criteria set out in the relevant documentation, is entitled to select obligations which will result in the greatest loss or, as the case may be, smallest profit for Noteholders, and which will correspondingly maximise the economic benefit for the Issuer. The entity making such selection will be the Issuer or an affiliate thereof and will not be liable to account to the Noteholders or any other person for any profit or other benefit to it or any of its affiliates which may result directly or indirectly from any such selection. In addition, in the case of cash-settled Credit Linked Notes to which "Auction Settlement" does not apply or to which "Auction Settlement" does apply but no Applicable Auction has been held, the Issuer or any of its affiliates may provide bid quotations for the selected Valuation

Obligations which may be used in determining the market sale price of Valuation Obligations following the relevant Credit Event and, therefore, the Cash Settlement Amount of a cash-settled Credit Linked Note.

Potential conflicts of interest

Where the Issuer acts as Calculation Agent or the Calculation Agent is an affiliate of the Issuer, potential conflicts of interest may exist between the Calculation Agent and Noteholders, including with respect to certain determinations and judgements that the Calculation Agent may make pursuant to the terms and conditions of the Notes that may influence the amount receivable upon redemption of the Notes.

Potential conflicts of interest may exist between the Issuer and Noteholders in a number of circumstances. These include certain determinations and judgements that the Issuer may make pursuant to the terms and conditions of the Notes that may influence the amount receivable by Noteholders upon redemption of the Notes.

In addition, the Issuer may (but is under no obligation to) adhere to any protocol published by ISDA (a "**Protocol**") that sets out alternative settlement or valuation methods in relation to Reference Entity/ies to which Credit Linked Notes are credit linked. If the Issuer chooses to adhere to such Protocol, it may adjust terms and conditions of such Credit Linked Notes as it deems appropriate to reflect provisions of such Protocol. Potential investors should be aware that such adjustments may have an adverse effect on the value and liquidity of the affected Credit Linked Notes.

Where the applicable Final Terms specify "Cash or Physical Settlement" or "Cash or Physical or Auction Settlement" as the settlement basis for Credit Linked Notes, the Issuer will have sole and absolute discretion to make an election to redeem the Notes by cash settlement or physical settlement or auction settlement (in case of "Cash or Physical or Auction Settlement") or by cash settlement or physical settlement (in case of "Cash or Physical Settlement"). In making such election, the Issuer is under no obligation to the Noteholders or any other person and is entitled to elect such settlement basis which will result in the greatest loss or, as the case may be, the smallest profit for Noteholders, and which will correspondingly maximise the economic benefit for the Issuer. In addition, the Issuer will not be liable to account to the Noteholders or any other person for any profit or other benefit to it or any of its affiliates which may result directly or indirectly from any such election.

Where "Event Determination Date Version B" is specified in the applicable final terms, the Issuer is under no obligation to have regard to any announcement made by ISDA and/or the ISDA Credit Derivatives Determinations Committees that a Credit Event has occurred in relation to a particular Reference Entity (an "**Applicable DC Credit Event Announcement**"). This means that if an Applicable DC Credit Event Announcement is made, no effective designation of a Credit Event will occur unless the Issuer decides to deliver the Credit Event Notice to the Calculation Agent. In the absence of the Credit Event Notice from the Issuer, such Applicable DC Credit Event Announcement will lapse without causing redemption of any Credit Linked Notes. Potential investors should therefore be aware that, if "Event Determination Date Version B" is specified in the applicable Final Terms, the Issuer will have full control over the determination process in respect of the relevant Credit Event and will be entitled to act solely in its own interests when deciding whether or not to deliver the notice specifying the relevant Credit Event (a "**Credit Event Notice**"). Furthermore, the Issuer will not be liable to account to the Noteholders or any other person for any profit or other benefit to it or any of its affiliates which may result directly or indirectly from its decision to deliver or not to deliver the Credit Event Notices in any of the circumstances.

In relation to Credit Linked Notes, where the Issuer or any affiliate of the Issuer is a DC Party, potential conflicts of interest may exist between the DC Party and Noteholders, including with respect to certain determinations and judgements that the Issuer or its affiliate may make in its capacity as a DC Party in connection with its performance of its respective duties under the Rules and/or the Applicable Credit Derivatives Auction Settlement Terms. Action or determinations made by the Issuer or any of its affiliates

in its capacity as a DC Party or as a participant in an Applicable Auction may affect the redemption and settlement of the Credit Linked Notes (including the quantum and timing of payments upon redemption).

The Issuer, any Dealer and/or the Calculation Agent may at the date hereof or at any time thereafter be in possession of information in relation to a Reference Entity/ies that is or may be material in the context of Credit Linked Notes and may or may not be publicly available to Noteholders. There is no obligation on the Issuer, any Dealer or the Calculation Agent to disclose to Noteholders any such information.

The Issuer and/or any of its affiliates may have existing or future business relationships with any Reference Entity/ies or, if applicable, any of their subsidiaries or affiliates or any other person or entity having obligations relating to any of the Reference Entity/ies (including, but not limited to, dealing, lending, depositary, risk management, advisory and banking relationships), and will pursue actions and take steps that they or it deems necessary or appropriate to protect their and/or its interests arising therefrom without regard to the consequences for a Noteholder, regardless of whether any such action might have an adverse effect (including, without limitation, any action which might constitute or give rise to any breach, event of default, credit event or termination event) on any of the Reference Entity/ies or any investor in the Notes.

KEY FEATURES OF THE PROGRAMME

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

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| Issuer | Nedbank Limited. |
| Risk Factors | Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under " <i>Risk Factors</i> " above. |
| Arranger | Nedbank Capital, a division of Nedbank Limited. |
| Dealers | Nedbank Capital, a division of Nedbank Limited and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes. |
| Fiscal Agent | The Bank of New York Mellon. |
| Registrar | The Bank of New York Mellon (Luxembourg) S.A. |
| Final Terms or Drawdown Prospectus | <p>Notes issued under the Programme may be issued either (1) pursuant to this Prospectus and associated Final Terms or (2) pursuant to a Drawdown Prospectus. The terms and conditions applicable to any particular Series of Notes will be the Terms and Conditions of the Notes as completed by the relevant Final Terms or, as the case may be, Drawdown Prospectus.</p> <p>The relevant Issuer may agree with any Dealer that Exempt Notes may be issued with terms not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.</p> |
| Listing and Trading | Applications have been made for Notes to be admitted during the period of 12 months after the date hereof to listing on the Official List of the FCA and to trading on the Market. The Programme also permits Notes to be issued on the basis that they will not be admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system or, in the case of Exempt Notes only, to be admitted to listing, trading and/or quotation by such other or further stock exchanges and/or quotation systems as may be agreed with the Issuer, subject in all cases to the Issuer obtaining the consent from ExCon and, in relation to the Notes the proceeds of which are intended to qualify Additional Tier 1 Notes or Tier 2 Notes, the Relevant Authority, to the extent necessary. |
| Clearing Systems | Euroclear Bank S.A./N.V. (" Euroclear "), Clearstream Banking, société anonyme (" Clearstream, Luxembourg "), The Depository Trust Company (" DTC ") and/or, in relation to any Series of Notes, any other clearing system as may be specified in the relevant Final Terms. |
| Initial Programme Amount | Up to U.S.\$2,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time. |
| Issuance in Series | Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations. |
| Forms of Notes | Notes may only be issued in registered form. Notes offered in the United States to qualified institutional buyers in reliance on Rule 144A will be represented by one or more Global Note Certificates (the " Rule 144A Global Note Certificates ") and Notes offered outside the United States in reliance on Regulation S will be represented by one or more Global Notes (the " Regulation S Global Note Certificates ") and together with the Rule 144A Global Note Certificates, the |

"Global Note Certificates").

Notes will bear a legend setting forth transfer restrictions and may not be transferred except in compliance with such transfer restrictions. Transfers of interests from a Rule 144A Global Note Certificate to a Regulation S Global Note Certificate are subject to certification requirements. Persons holding beneficial interests in the Global Note Certificates will be entitled or required, as the case may be, to receive physical delivery of individual note certificates ("**Individual Note Certificates**").

Interests in a Global Note Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Note Certificates without receipts, interest coupons or talons attached only in the limited circumstances described under "*Summary of Provisions Relating to the Notes While in Global Form*".

Currencies

Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Notes are denominated.

Status of the Notes

Notes may be issued on a subordinated or unsubordinated basis, as specified in the relevant Final Terms.

Status of the Unsubordinated Notes

The Unsubordinated Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (*Negative Pledge*)) unsecured obligations of the Issuer, all as described in Condition 5(a) (*Status - Status of the Unsubordinated Notes*) and the relevant Final Terms.

Status of the Credit Linked Notes

The Credit Linked Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (*Negative Pledge*)) unsecured obligations of the Issuer, all as described in Condition 5(a) (*Status – Status of the Unsubordinated Notes*). The Issuer may issue Credit Linked Notes, which are securities linked to the performance of a reference entity and obligations of the reference entity. Investors should note that Credit Linked Notes differ from ordinary debt securities issued by the Issuer in that the amount of principal and interest payable by the Issuer is dependent on whether a "Credit Event" (as defined in "*Additional Terms and Conditions for Credit Linked Notes*") in respect of the reference entity has occurred. In certain circumstances the Notes will cease to bear interest (if they carried interest in the first place) and the value paid to Noteholders on redemption may be less than their original investment and may in certain circumstances be zero.

Status of the Tier 2 Notes

The Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5(b) (*Status - Status of the Subordinated Notes*) of the Conditions, subordinated obligations of the Issuer and rank pari passu without any preference among themselves and (save for those that have been accorded by law preferential rights) at least pari passu with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) pari passu with the Tier 2 Notes.

Status of the Additional Tier 1 Notes

Tier Additional 1 Notes constitute direct, unsecured and, in accordance with Condition 5(c) (*Status - Status of the Additional Tier 1 Notes*) of the Conditions, subordinated obligations of the Issuer and rank pari passu without any preference among themselves and (save for those that have been accorded by law preferential rights) at least pari passu with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) pari passu with the Additional Tier 1 Notes.

Subordinated Notes and Capital Regulations

In order for the proceeds of the issue of a Series of Subordinated Notes to rank as Additional Tier 1 Capital or Tier 2 Capital, as the case may be, Subordinated Notes must comply with the applicable Capital Regulations (including such Additional Conditions (if any) as are prescribed by the Relevant Authority in respect of that Series of Subordinated Notes). The Issuer will specify in the relevant Final Terms whether any issue of Subordinated Notes is an issue of

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| | <p>Additional Tier 1 Notes, the proceeds of which are intended to rank as Additional Tier 1 Capital or of Tier 2 Notes, the proceeds of which are intended to rank as Tier 2 Capital. The Additional Conditions (if any) prescribed by the Relevant Authority in respect of a Series of Subordinated Notes will be specified in a Drawdown Prospectus or a supplement to this Prospectus.</p> |
| Issue Price | <p>Notes may be issued at any price and on a fully paid basis, as specified in the relevant Final Terms. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.</p> |
| Maturities | <p>Save as provided below, Notes may be issued with any maturity date or Notes may be issued with no maturity date, subject, in relation to Subordinated Notes, to such minimum maturities as may be required from time to time by the applicable Capital Regulations and, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.</p> <p>Subject to the applicable Capital Regulations (i) Additional Tier 1 Notes will be issued without a maturity date and; (ii) Tier 2 Notes will have a minimum maturity of five years and one day.</p> <p>Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer.</p> |
| Redemption | <p>Subject as described in "Maturities" above, Notes may be redeemable at par or at such other Redemption Amount as may be specified in the Final Terms. For so long as the Capital Regulations so require, Subordinated Notes may be redeemed only at the option of the Issuer and then only with the prior written approval of the Relevant Authority and, in the case of the Issuer exercising the Call Option, subject to the Issuer complying with the conditions to redemption set out in Condition 11(d) (Redemption at the option of the Issuer), and otherwise in accordance with the conditions (if any) imposed by the Relevant Authority in writing. The approval of the Relevant Authority is not required to redeem any Tier 2 Note on its Maturity Date.</p> <p>There is no fixed redemption date for Additional Tier 1 Notes and the Issuer may only redeem them in the limited circumstances prescribed in the Conditions.</p> |
| Optional Redemption | <p>Subject as described in "Redemption" above, Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) with, in the case of Subordinated Notes, the prior written approval of the Relevant Authority and, in the case of the Issuer exercising the Call Option, subject to the Issuer complying with the conditions to redemption set out in Condition 11(d) (<i>Redemption at the option of the Issuer</i>).</p> |
| Tax Redemption | <p>Except as described in "Optional Redemption" above, and subject as described in "Redemption" above, early redemption will only be permitted for tax reasons as described in Condition 11(b) (<i>Redemption for tax reasons</i>).</p> |
| Redemption for Regulatory Reasons | <p>Except as described in "Optional Redemption" and "Tax Redemption" above, early redemption of the Subordinated Notes in whole (but not in part) is permitted at the option of the Issuer (subject to the prior written approval of the Relevant Authority) if a Regulatory Event occurs and while it is continuing as described in Condition 11(c) (<i>Redemption for regulatory reasons</i>) of the Conditions.</p> |

| | |
|--|--|
| Interest | <p>Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.</p> <p>The Issuer may elect not to pay, and in certain circumstances is not obliged to pay, interest on Additional Tier 1 Notes as more fully set out in Condition 7 (<i>Interest Payments on Additional Tier 1 Notes</i>).</p> |
| Denominations | Notes will be issued in such denominations as may be specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. See also "Maturities" above. |
| Negative Pledge | Unsubordinated Notes will have the benefit of a negative pledge as described in Condition 6 (<i>Negative Pledge</i>). |
| Cross Default | Unsubordinated Notes will have the benefit of a cross default as described in Condition 15 (<i>Events of Default</i>). |
| Taxation | <p>All payments in respect of Notes will be made free and clear of withholding taxes of the United Kingdom (if the Issuer is acting through its London Branch in connection with any issue of Notes) and of South Africa, unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 14 (<i>Taxation</i>) and subject to Condition 11(b) (<i>Redemption for tax reasons</i>) and, where applicable, Condition 11(k) (<i>Substitution or Variation of Additional Tier 1 Notes</i>)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.</p> |
| Governing Law | English law, except Condition 5 (<i>Status</i>) which will be governed by, and construed in accordance with South African law. |
| Enforcement of Notes in Global Form | In the case of Global Notes, individual investors' rights against the Issuer will be governed by a Deed of Covenant (the " Deed of Covenant ") dated 15 May 2014, a copy of which will be available for inspection at the specified office of the Fiscal Agent. |
| Ratings | <p>The Notes to be issued under the Programme may be rated by Moody's Investors Service South Africa (Pty) Ltd and Fitch Southern Africa (Pty) Ltd.</p> <p>Moody's Investors Service South Africa (Pty) Ltd and Fitch Southern Africa (Pty) Ltd are not established in the EEA and are not registered under the CRA Regulation.</p> <p>Each Series of Notes may be rated or unrated. Where applicable, the ratings of the Notes will be specified in the relevant Final Terms. Such rating will not necessarily be the same as ratings assigned to Notes already issued. Whether or not a rating in relation to any Series has been issued or endorsed by a credit rating agency established in the European Union and registered under Regulation (EC) No 1060/2009 on credit rating agencies will be disclosed in the Final Terms. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.</p> |
| Selling and Transfer Restrictions | The Notes have not been registered under the Securities Act and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the European Economic Area, the United Kingdom and South Africa, see " <i>Subscription and Sale</i> " and " <i>Transfer Restrictions</i> " below. |

FINAL TERMS AND DRAWDOWN PROSPECTUSES

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

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

For a Tranche of Notes which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Prospectus and must be read in conjunction with this Prospectus. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Final Terms are the Conditions as completed by the relevant Final Terms.

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

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

FORMS OF THE NOTES

Each Tranche of Notes will initially be represented by one or more Global Note Certificates. Global Note Certificates will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and/or a nominee of DTC, as the case may be, and registered in the name of a nominee of such common depositary and/or of DTC. Persons holding beneficial interests in a Global Note will be entitled or required, as the case may be, under the circumstances set out in the Global Certificate, to receive physical delivery of Individual Note Certificates in fully registered form.

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

Payments of principal, interest or any other amount in respect of the Individual Note Certificates will, in the absence or provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 13(f) (*Record Date*)) immediately preceding the due date for payment in the manner provided in the Conditions.

Interests in a Global Note Certificate will be exchangeable (free of charge), in whole but not in part, for Individual Note Certificates without receipts, interest coupons or talons attached only upon the occurrence of certain exchange events as set out in the Global Certificates. The Issuer will promptly give notice to Noteholders in accordance with Condition 21 (*Notices*) if an exchange event occurs as set out in the Global Certificate. In the event of the occurrence of an exchange event as set out in the Global Certificate, Euroclear and/or Clearstream, Luxembourg and/or DTC, as the case may be, (acting on the instructions of any holder of an interest in such Global Note Certificate) may give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Notes represented by an Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below, as completed by the relevant Final Terms.

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

United States legends

Each Tranche of Notes to be sold in the United States to qualified institutional buyers will bear legends to the effect set forth in "Transfer Restrictions".

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

The applicable Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following terms and conditions, replace or modify the following Terms and Conditions for the purpose of such Exempt Notes.

1 Introduction

(a) Programme

Nedbank Limited, acting through its head offices in South Africa or its London Branch (in either such case, the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.\$2,000,000,000 in aggregate principal amount of notes (the "**Notes**").

(b) Final Terms and Pricing Supplement

Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a written final terms (the "**Final Terms**", which expression shall, in connection with any Tranche of Exempt Notes, be construed as a reference to the applicable pricing supplement) which completes these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as completed by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.

If any Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an "**Exempt Note**"), the final terms (or the relevant provisions thereof) will be set out in a Pricing Supplement attached to or endorsed on the Notes which supplements these Conditions (and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of the Notes). If the relevant Notes are Exempt Notes, any reference in these Conditions to the applicable Final Terms shall be deemed to be a reference to applicable Pricing Supplement.

(c) Deed of Covenant

The Notes are constituted by a deed of covenant dated 15 May 2014 (the "**Deed of Covenant**") entered into by the Issuer.

(d) Agency Agreement

The Notes are the subject of an amended and restated agency agreement dated 15 May 2014 (the "**Agency Agreement**") between the Issuer, The Bank of New York Mellon (Luxembourg) S.A. as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), The Bank of New York Mellon as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the

"**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). References herein to the "Agents" are to the Registrar, the Fiscal Agent and the Paying Agents and any reference to an "Agent" is to any one of them.

(e) **The Notes**

All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at, and copies may be obtained from, the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

(f) **Summaries**

Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. The Noteholders (as defined below) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

2 **Interpretation**

(a) **Definitions**

In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" means the rate specified in the relevant Final Terms;

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

"**Additional Conditions**" means, in relation to a Series of Subordinated Notes, such conditions, in addition to the conditions specified in the applicable Capital Regulations, as may be prescribed by the Relevant Authority for the proceeds of the issue of that Series of Subordinated Notes to qualify as Regulatory Capital pursuant to the approval granted by the Relevant Authority for the issue of that Series of Subordinated Notes;

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

"**Additional Tier 1 Capital**" means "**additional tier 1 capital**" as defined in the Banks Act;

"**Additional Tier 1 Capital Regulations**" means Regulation 38(13)(b) of the Regulations Relating to Banks and/or such other provisions of the Capital Regulations with which the instruments and/or shares contemplated in that Regulation 38(13)(b) (including the Additional Tier 1 Notes) must comply in order for the proceeds of the issue of such instruments and/or shares to rank as Additional Tier 1 Capital;

"**Additional Tier 1 Noteholder**" means a holder of an Additional Tier 1 Note;

"**Additional Tier 1 Notes**" means Notes specified as such in the relevant Final Terms and complying with the Additional Tier 1 Capital Regulations;

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

"Banks Act" means the South African Banks Act, 1990 as amended by the Banks Amendment Act, 2013, published in Government Gazette No. 37144 of 10 December 2013, and as further amended from time to time;

"Basel III Accord" means the documents entitled "Basel Committee on Banking Supervision – Basel III: A global regulatory framework for more resilient banks and banking systems – December 2010" and "Basel Committee on Banking Supervision – Basel III: International Framework for liquidity risk measurements, standards and monitoring – December 2010" published by the Basel Committee on Banking Supervision on 16 December 2010, as supplemented and/or amended from time to time;

"Business Day" means:

- (i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

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

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

- (v) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

"Calculation Agent" means the Fiscal Agent or such other Person specified in the relevant Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Final Terms;

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

"Call Option" means the option of the Issuer to redeem the Notes pursuant to Condition 11(d) (*Redemption at the Option of the Issuer*);

"Capital Regulations" means, at any time, any (i) legislation (including the Banks Act, (ii) regulations (including the Regulations Relating to Banks), (iii) requirements, circulars, guidance notes (including, without limitation, Guidance Note 3), directives and/or policies issued by the Relevant Authority from time to time relating to capital adequacy and/or the requirements with which instruments and/or shares must comply in order for the proceeds of the issue of such instruments and/or shares to qualify for inclusion in the Eligible Capital of a bank and/or its **"controlling company"** (as defined in the Banks Act) and/or (iv) the Additional Conditions, then in effect in South Africa;

"CET 1 Ratio" means, in relation to the Issuer at any time, the Common Equity Tier 1 Capital ratio of the Issuer at that time, as determined in accordance with the applicable Capital Regulations;

"Common Equity Tier 1 Capital" means "common equity tier 1 capital" as defined in the Banks Act;

"Controlling Company" means Nedbank Group Limited or any other company which, after the Issue Date of the relevant Notes, becomes the **"controlling company"** (as defined in the Banks Act) of the Issuer, as the case may be;

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

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

Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

- (iii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iv) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (v) if "**30/360**", "**360/360**" or "**Bond Basis**" is so specified, means the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

"**Discretion**" means, in relation to a Series of Subordinated Notes, the discretion of the Relevant Authority contemplated in Guidance Note 7, to (notwithstanding the occurrence of the Trigger Event) (i) take action and require the Write-off of all or part of the accrued interest, and/or principal amount in respect of that Series of Subordinated Notes to occur in order to effect an increase the CET1 Ratio such that the Issuer will be deemed by the Relevant Authority to be viable again or (ii) take no action and not require the Write-off of all or part of the accrued interest, and/or principal amount in respect of that Series of Subordinated Notes to occur;

"**Dispute**" has the meaning given to it in Condition 24(b) (*English courts*);

"**Early Redemption Amount (Regulatory)**" means, in respect of any Subordinated Note, its outstanding principal amount plus accrued interest (if any) to the date fixed for redemption or such other amount as may be specified in, or determined in accordance with these Conditions or the relevant Final Terms;

"**Early Redemption Amount (Tax)**" means, in respect of any Note, in relation to an Early Redemption Amount (Tax) to be paid as a result of a Tax Event, its outstanding principal amount plus accrued interest (if any) to the date fixed for redemption or such other amount as may be specified in the relevant Final Terms;

"**Early Redemption Date (Regulatory)**" means, in relation to a Series of Subordinated Notes which is to be redeemed (in whole) pursuant to the terms of Condition 11(c) (*Redemption for regulatory reasons*) following a Regulatory Event, the Interest Payment Date stipulated as the date for redemption of that Series of Subordinated Notes in the notice of redemption given by the Issuer in terms of Condition 11(c) (*Redemption for regulatory reasons*);

"Early Redemption Date (Tax)" means, in relation to a Series of Notes which is to be redeemed (in whole) pursuant to the terms of Condition 11(b) (*Redemption for tax reasons*) following a Tax Event, the Interest Payment Date (in the case of interest-bearing Notes) or other date (in the case of non-interest-bearing Notes) stipulated as the date for redemption of that Series of Notes in the notice of redemption given by the Issuer in terms of Condition 11(b) (*Redemption for tax reasons*);

"Early Termination Amount" means, in respect of any Note, its outstanding principal amount or such other amount as may be specified in, the relevant Final Terms;

"Eligible Capital" means the proceeds of the issue of share and/or instruments (including Subordinated Notes, Other Additional Tier 1 Capital Instruments and Other Tier 2 Capital Instruments) which proceeds rank (or are entitled to rank) on issue for inclusion in the Tier 2 Capital or the Additional Tier 1 Capital or the Common Equity Tier 1 Capital of the Issuer or the Controlling Company on a solo and/or consolidated basis, in accordance with the Capital Regulations;

"Event of Default" means:

- (a) in relation to a Series of Unsubordinated Notes, any of the events described in Condition 15.1 (*Events of Default relating to Unsubordinated Notes*);
- (b) in relation to a Series of Tier 2 Notes, any of the events described in Condition 15.2 (*Events of Default relating to Tier 2 Notes*);
- (c) in relation to a Series of Additional Tier 1 Notes, any of the events described in Condition 15.3 (*Events of Default relating to Additional Tier 1 Notes*);

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

"Final Redemption Amount" means, in respect of any Note, its principal amount or such other amount as may be specified in the relevant Final Terms;

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

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

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

"Fixed Coupon Amount" has the meaning given in the relevant Final Terms;

"Group" means the Controlling Company, the Issuer and any of the respective wholly-owned consolidated Subsidiaries of the Controlling Company or the Issuer which is regulated as a banking operation;

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

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

"Guidance Note 3" means Guidance Note 3/2013 headed "*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital instruments*", dated 11 June 2013, issued by the Relevant Authority in terms of section 6(5) of the Banks Act, as updated amended and/or replaced from time to time;

"Guidance Note 7" means Guidance Note 7/2013 headed "*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital instruments*", dated 18 October 2013, issued by the Relevant Authority in terms of section 6(5) of the Banks Act, as updated amended and/or replaced from time to time;

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

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

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

"Interest Commencement Date" means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Final Terms;

"Interest Determination Date" has the meaning given in the relevant Final Terms;

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

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

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

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

"**ISDA Rate**" has the meaning given to it in Condition 9(d) (*ISDA Determination*);

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

"**Issuer Group**" means the Issuer and its consolidated Subsidiaries;

"**Liabilities**" means the total amount of the non consolidated gross liabilities of the Issuer as shown in the latest published audited non consolidated balance sheet of the Issuer, but adjusted for contingencies and subsequent events in such manner as the directors of the Issuer, the auditors of the Issuer or a liquidator or administrator of the Issuer (if applicable) may determine;

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

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

"**Maturity Period**" means the period from, and including, the Issue Date to, but excluding, the Maturity Date;

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

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

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

"**Optional Redemption Amount (Call)**" means, in respect of any Note, its outstanding principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

"**Optional Redemption Amount (Put)**" means, in respect of any Unsubordinated Note, its outstanding principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms;

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

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

"**Ordinary Shares**" means ordinary shares in the issued share capital of the Issuer;

"**Other Additional Tier 1 Capital Instruments**" means, in relation to a Series of Subordinated Notes, any other shares and/or instruments, the proceeds of which rank as Additional Tier 1 Capital in accordance with the Additional Tier 1 Capital Regulations;

"**Other Tier 2 Capital Instruments**" means, in relation to a Series of Subordinated Notes, any other shares and/or instruments, the proceeds of which rank as Tier 2 Capital in accordance with the Tier 2 Capital Regulations;

"**Payment Business Day**" means:

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

- (A) a day on which banks in the relevant place of surrender or endorsement are open for surrender or endorsement of note certificates and payment and for dealings in foreign currencies; and
- (B) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the Specified Currency and in each (if any) Additional Financial Centre;

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

- (i) the payment obligations secured by such Permitted Security Interest are to be discharged primarily from, and recourse under such Permitted Security Interest is limited to, the proceeds of such property or assets or a guarantee from an entity other than an Issuer Group entity;
- (ii) such Security Interest is created pursuant to any securitisation, asset-backed financing or like arrangement in accordance with normal market practice; and
- (iii) such Security Interest is created by operation of law or arises out of statutory preferences;

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

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

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

"Principal Subsidiary" means a Subsidiary of the Issuer Group whose (a) total profits, before tax and extraordinary items represent in excess of 10 per cent of the consolidated total profits, before tax and extraordinary items of the Issuer and its Subsidiaries, or (b) total value of net assets represent in excess of 10 per cent of the total value of all consolidated net assets owned by the Issuer and its Subsidiaries in each case calculated by reference to the latest audited financial statements of each Subsidiary and the latest audited consolidated financial statements of the Issuer and its Subsidiaries but if a Subsidiary has been acquired or sold since the date as at which the latest audited consolidated financial statements of the Issuer and its Subsidiaries were prepared, the financial statements shall be adjusted in order to take into account the acquisition or sale of that Subsidiary (that adjustment being certified by the Issuer and its Subsidiaries' auditors as representing an accurate reflection of the revised consolidated profits before interest and tax or turnover of the Issuer and its Subsidiaries). A report by the auditors of the Issuer that a Subsidiary is

or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Noteholders;

"Proceedings" has the meaning given to it in Condition 24(d) (*Rights of the Noteholders to take proceedings outside England*);

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

"Qualifying Additional Tier 1 Capital Securities" means, in relation to a Series of Additional Tier 1 Notes (where applicable), securities whether debt, equity, interests in limited partnerships or otherwise, issued directly or indirectly by the Issuer that:

- (a) have terms not materially less favourable to a holder of Additional Tier 1 Notes (as reasonably determined by the Issuer, and provided that a certification to such effect of two directors of the Issuer and an opinion to such effect of an Independent Investment Bank shall have been delivered to the Issuer prior to the issue of the relevant securities and is so stated in the certificate) provided that they shall:
 - 1. have a ranking at least equal to that of the Additional Tier 1 Notes;
 - 2. have the same interest, dividend or distribution rate or rate of return and Interest Payment Dates from time to time applying to the Additional Tier 1 Notes;
 - 3. preserve any existing rights under the Conditions to any accrued interest which has not been satisfied or cancelled;
 - 4. have the same redemption dates as the Additional Tier 1 Notes;
 - 5. be issued in an aggregate principal amount at least equal to the aggregate principal amount of the Additional Tier 1 Notes outstanding immediately prior to the substitution or variation;
 - 6. comply with the then current Capital Regulations in relation to Additional Tier 1 Capital; and
 - 7. if not issued by the Issuer, then have the benefit of a guarantee by the Issuer; and
- (b) are listed on the London Stock Exchange, the Luxembourg Stock Exchange, or any other internationally recognised exchange;

"Qualifying Tier 2 Capital Securities" means, in relation to a Series of Additional Tier 1 Notes (where applicable), securities whether debt, equity, interests in limited partnerships or otherwise, issued directly or indirectly by the Issuer that:

- (a) have terms not materially less favourable to a holder of the Additional Tier 1 Notes (as reasonably determined by the Issuer, and provided that a certification to such effect of two directors of the Issuer and an opinion to such effect of an Independent Investment Bank shall have been delivered to the Issuer prior to the issue of the relevant securities and is so stated in the certificate) provided that they shall:
 - 1. have a ranking at least equal to that of the Additional Tier 1 Notes;
 - 2. have the same interest, dividend or distribution rate or rate of return and Interest Payment Dates from time to time applying to the Additional Tier 1 Notes;

3. preserve any existing rights under the Applicable Terms and Conditions to any accrued interest which has not been satisfied;
 4. have the same redemption dates as the Additional Tier 1 Notes;
 5. be issued in an amount at least equal to the aggregate principal amount of the Additional Tier 1 Notes outstanding immediately prior to the substitution or variation;
 6. comply with the then current Capital Regulations in relation to Tier 2 Capital; and
 7. if not issued by the Issuer, then have the benefit of a guarantee by the Issuer; and
- (b) are listed on the London Stock Exchange, the Luxembourg Stock Exchange, or any other internationally recognised exchange;

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

"Record Date" has the meaning given to it in Condition 13(f) (*Record date*);

"Redemption Amount" means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Early Redemption Amount (Regulatory), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put) or the Early Termination Amount (as applicable);

"Reference Banks" mean four major banks selected (after consultation with the Issuer, if reasonably practicable) by the Calculation Agent in the market that is most closely connected with the Reference Rate;

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

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

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

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

"Regular Date" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period;

"Regular Period" means:

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

- (iii) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date;

"Regulations Relating to Banks" means the Regulations Relating to Banks promulgated under the Banks Act (which Regulations Relating to Banks came into operation on 1 January 2013) published as No. R. 1029 in Government Gazette No. 35950 of 12 December 2012, as supplemented and/or amended from time to time;

"Regulatory Capital" means, as applicable, Tier 2 Capital or Additional Tier 1 Capital;

"Regulatory Change" means, in relation to a Series of Subordinated Notes, (i) a change in or amendment to the Capital Regulations or (ii) any change in the application of or official or generally published guidance or interpretation of the Capital Regulations by the Relevant Authority and/or the South African courts, which change or amendment becomes, or would become, effective on or after the Issue Date of the first Tranche of Notes in the relevant Series;

"Regulatory Event" is deemed to have occurred in relation to a Series of Subordinated Notes if, as a result of any Regulatory Change, the whole or any part of the aggregate principal amount of that Series of Subordinated Notes is excluded from qualifying as Regulatory Capital of the Issuer or the Controlling Company on a solo and/or consolidated basis and the Relevant Authority has notified the Issuer (either specifically or generally in conjunction with other banks) in writing of the relevant amendment or change and, for the avoidance of doubt, a Regulatory Event shall be deemed to have occurred in relation to a Series of Subordinated Notes if all or part of the aggregate principal amount of that Series of Subordinated Notes is excluded from qualifying as Regulatory Capital by reason of any grandfathering or transitional provisions in the applicable Capital Regulations;

"Relevant Authority" means the Registrar of Banks or such other governmental authority in South Africa (if any) as will have the responsibility of making decisions relating to the declaration of a bank as being non-viable, with the effect (as contemplated in the Regulations Relating to Banks) of triggering loss absorption within the relevant capital instruments and/or shares;

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

"Relevant Financial Centre" has the meaning given in the relevant Final Terms;

"Relevant Jurisdiction" means South Africa and, where the Issuer is acting through its London Branch, the United Kingdom. If the United Kingdom is a Relevant Jurisdiction for the purposes of any Series of Notes, it will be specified as the "Additional Relevant Jurisdiction" in the applicable Final Terms;

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

"Relevant Interest Payment Date" has the meaning given to it in Condition 7(b) (*Non-payment of interest*);

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

"Relevant Time" has the meaning given in the relevant Final Terms;

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

"SARB" means the South African Reserve Bank;

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

"Senior Creditors" means:

- (i) creditors of the Issuer who are unsubordinated creditors of the Issuer; and
- (ii) creditors of the Issuer whose claims are, or are expressed to be, subordinated to the claims of other creditors, whether subordinated or unsubordinated, of the Issuer other than:
 - 1. in relation to the claims of Additional Tier 1 Noteholders, all creditors of the Issuer whose claims, in each instance, rank, or are expressed to rank, or are entitled to rank, *pari passu* with or junior to the claims of the Additional Tier 1 Noteholders; or
 - 2. in relation to the claims of the Tier 2 Noteholders, all creditors of the Issuer whose claims, in each instance, rank, or are expressed to rank, or are entitled to rank, *pari passu* with or junior to the claims of the Tier 2 Noteholders;

"Series" means a series of Notes which are subject to identical terms in all respects, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches, and a Tranche may comprise Notes of different denominations.

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

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

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

"Specified Denomination(s)" has the meaning given in the relevant Final Terms, save that the minimum denomination of any Note to be admitted to trading on a regulated market within the European Economic Area or offered to the public in circumstances which require the publication of a prospectus under EU Directive 2003/71/EC will be EUR100,000 (or its equivalent in another currency at the Issue Date of such Notes);

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

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

"Subordinated Debt" means, in relation to Additional Tier 1 Notes, any subordinated term debt issued by the Issuer the proceeds of which subordinated term debt qualify, in each instance, as Tier 2 Capital of the Issuer;

"Subordinated Notes" means any Additional Tier 1 Notes or Tier 2 Notes (as applicable);

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

"TARGET Settlement Day" means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto is open;

"Taxes" has the meaning given to it in Condition 14(a) (*Gross up*);

"Tax Event" means, in relation to a Series of Notes, an event where:

- (a) as a result of a Tax Law Change, (i) the Issuer has paid or will pay or would on the next Interest Payment Date be required to pay additional amounts as provided or referred to in Condition 14 (*Taxation*) or (ii) in respect of the Issuer's obligation to make any payment of interest in respect of a Series of Additional Tier 1 Notes or a Series of Tier 2 Notes only on the next following Interest Payment Date or any subsequent Interest Payment Date, the Issuer would not be entitled to claim a deduction in respect of computing its taxation liabilities in any Relevant Jurisdiction, or such entitlement is materially reduced, and in each case the Issuer cannot avoid the foregoing by taking measures reasonably available to it (such reasonable measures to exclude any requirement to instigate litigation in respect of any decision of determination of Her Majesty's Revenue and Customs ("**HMRC**") or (ii) the South African Revenue Service that any such interest does not constitute a tax deductible expense); or
- (b) other than as a result of a Tax Law Change, the Issuer's treatment of the interest payable by it on a Series of Additional Tier 1 Notes as a tax deductible expense for South African or, if the Notes are issued through Nedbank London Branch, United Kingdom income tax purposes as reflected on the tax returns (including provisional tax returns) filed (or to be filed) by the Issuer is not accepted by the South African Revenue Service or HMRC (as applicable) and in each case the Issuer cannot avoid the foregoing by taking measures reasonably available to it (such reasonable measures to exclude any requirement to instigate litigation in respect of any decision or determination of the South African Revenue Service or HMRC (as applicable) that any such interest does not constitute a tax deductible expense);

"Tax Law Change" means, in relation to a Series of Notes, a change in, or amendment to, the laws or regulations of any Relevant Jurisdiction, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), whether or not having retrospective effect, which change or amendment is announced on or after the Issue Date of that Series;

"Tier 2 Capital" means *"tier 2 capital"* as defined in the Banks Act;

"Tier 2 Capital Regulations" means Regulation 38(14) of the Regulations Relating to Banks and/or such other provisions of the Capital Regulations with which the instruments and/or shares contemplated in that Regulation 38(14) (including the Tier 2 Notes) must comply in order for the proceeds of the issue of such instruments and/or shares to rank as Tier 2 Capital;

"Tier 2 Noteholder" means a holder of a Tier 2 Note;

"Tier 2 Notes" means Notes specified as such in the relevant Final Terms and complying with the Tier 2 Capital Regulations;

"Total Principal Amount" and **"Relevant Portion of the Principal Amount"** have the meanings given to them in Condition 12(b) (*Compulsory Write-Off of a Series of Subordinated Notes upon the occurrence of the Trigger Event*);

"Tranche" means a tranche of Notes which are subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.

"Trigger Event" means (i) in relation to a Series of Additional Tier 1 Notes which are accounted as equity (if any) and a Series of Tier 2 Notes, the "trigger event" set out in Condition 12(b) (*Compulsory Write-Off of a Series of Subordinated Notes upon the occurrence of the Trigger Event*) in respect of such Notes and (ii) in relation to a Series of Additional Tier 1 Notes which are accounted as liabilities, the "trigger event" set out in Condition 12(b) (*Compulsory Write-Off of a Series of Subordinated Notes upon the occurrence of the Trigger Event*) in respect of such Notes;

"Unpaid Amount" and **"Relevant Portion of the Unpaid Amount"** have the meanings given to them in Condition 12(b) (*Definitions*);

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

"Write-off", in relation to a Series of Subordinated Notes, means the provisions prescribed by the Regulations Relating to Banks that require that all or part of the accrued interest and/or principal in respect of such Series of Subordinated Notes, at the occurrence of the Trigger Event (at the Discretion of the Relevant Authority), to be written off (in whole or in part) and **"Written Off"** shall be construed accordingly;

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

(b) **Interpretation**

In these Conditions:

- (i) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 14 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (ii) any reference to interest shall be deemed to include payment of any Interest Amount, any additional amounts in respect of interest which may be payable under Condition 14 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (iii) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;

- (iv) if an expression is stated in Condition 2(a) (*Definitions*) to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and
- (v) any reference to the Agency Agreement or the Deed of Covenant shall be construed as a reference to the Agency Agreement or the Deed of Covenant, as the case may be, as amended and/or supplemented up to and including the Issue Date of the Notes.

3 **Form, Denomination and Title**

The Notes are in registered form in the Specified Denomination(s) and may be held in holdings equal to any specified minimum amount and integral multiples equal to any specified increments (as specified in the relevant Final Terms) in excess thereof (each, an "**Authorised Holding**"). The Holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note Certificate) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.

4 **Register, Title and Transfers**

(a) **Register**

The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

(b) **Transfers**

Subject to Conditions 4(e) (*Closed periods*) and 4(f) (*Regulations concerning transfers and registration*) below, a Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar, together with such evidence as the Registrar may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided, however, that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Holdings. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

(c) **Registration and delivery of Note Certificates**

Within five business days of the surrender of a Note Certificate in accordance with paragraph (b) (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Notes transferred to each relevant Holder at its Specified Office or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar has its Specified Office.

(d) **No charge**

The transfer of a Note will be effected without charge by or on behalf of the Issuer or the Registrar but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(e) **Closed periods**

Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(f) **Regulations concerning transfers and registration**

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

5 Status

(a) **Status of the Unsubordinated Notes**

(i) *Application*

This Condition 5(a) applies only to Unsubordinated Notes.

(ii) *Status of the Unsubordinated Notes*

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

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

(i) *Application*

This Condition 5(b) applies only to Tier 2 Notes.

(ii) *Status of the Tier 2 Notes*

The Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5(b)(iii) (Subordination), subordinated obligations of the Issuer and rank pari passu without any preference or priority among themselves and (save for those that have been accorded by law preferential rights) at least pari passu with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) pari passu with the Tier 2 Notes.

(iii) *Subordination*

The claims of Tier 2 Noteholders entitled to be paid amounts due in respect of the Tier 2 Notes are subordinated to the claims of Depositors and Senior Creditors and, accordingly, if the Issuer is wound up or placed under liquidation, whether voluntarily or involuntarily:

- (1) no Tier 2 Noteholder shall be entitled to prove or tender to prove a claim in respect of the Tier 2 Notes;

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

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

(c) Status of the Additional Tier 1 Notes

(i) Application

This Condition 5(c) applies only to Additional Tier 1 Notes.

(ii) Status of the Additional Tier 1 Notes

The Additional Tier 1 Notes constitute direct, unsecured and, in accordance with Condition 5(c)(iii) (*Subordination*), subordinated obligations of the Issuer and rank pari passu without any preference or priority among themselves and (save for those that have been accorded by law preferential rights) at least pari passu with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) pari passu with the Additional Tier 1 Notes.

(iii) Subordination

The claims of Additional Tier 1 Noteholders entitled to be paid amounts due in respect of the Additional Tier 1 Notes are subordinated to the claims of Depositors, Senior Creditors and the holders of Subordinated Debt and, accordingly, if the Issuer is wound up or placed under liquidation, whether voluntarily:

- (1) no Additional Tier 1 Noteholder shall be entitled to prove or tender to prove a claim in respect of the Additional Tier 1 Notes;
- (2) no amount due under the Additional Tier 1 Notes shall be eligible for set-off, counterclaim, abatement or other similar remedy which an Additional Tier 1 Noteholder might otherwise have under the laws of any jurisdiction in respect of the Additional Tier 1 Notes nor shall any amount due under the Additional Tier 1 Notes be payable to any Additional Tier 1 Noteholder; and
- (3) subject to applicable law, an Additional Tier 1 Noteholder may not exercise or claim any right of set-off in respect of any amount in respect of the principal of and/or interest on the Additional Tier 1 Notes owed to it by the Issuer and each Additional Tier 1 Noteholder shall, by virtue of its subscription, purchase or holding of any Additional Tier 1 Notes, be deemed to have waived all such rights of set-off and, to the extent that any set-off takes place, whether by operation of law or otherwise, between: (aa) any amount in respect of

the principal and/or interest on the Additional Tier 1 Notes owed by the Issuer to an Additional Tier 1 Noteholder; and (bb) any amount owed to the Issuer by such Additional Tier 1 Noteholder, such Additional Tier 1 Noteholder will immediately transfer such amount which is set-off to the Issuer or, in the event of its winding-up or liquidation (as the case may be), the liquidator or other relevant insolvency official of the Issuer, to be held on trust for Depositors, Senior Creditors and the holders of Subordinated Debt,

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

(d) Capital Regulations and Additional Conditions

In order for the proceeds of the issue of a Series of Subordinated Notes to rank as Regulatory Capital, that Series of Subordinated Notes must comply with the applicable Capital Regulations (including the Additional Conditions (if any) prescribed by the Relevant Authority in respect of that Series of Subordinated Notes). The Issuer will specify in the applicable Final Terms whether any issue of Notes is an issue of Tier 2 Notes the proceeds of which are intended to rank as Tier 2 Capital or an issue of Additional Tier 1 Notes the proceeds of which are intended to rank as Additional Tier 1 Capital.

6 Negative Pledge

- (a) This Condition 6 only applies to Unsubordinated Notes.
- (b) So long as any Unsubordinated Note remains outstanding, the Issuer will not, and the Issuer will procure that none of its Principal Subsidiaries will, create or permit to subsist any Security Interest (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues to secure any Relevant Indebtedness or Guarantee of Relevant Indebtedness without (a) at the same time or prior thereto securing the Unsubordinated Notes equally and rateably therewith or (b) providing such other security for the Unsubordinated Notes, as may be approved by an Extraordinary Resolution of Noteholders.

7 Interest payments on Additional Tier 1 Notes

(a) Application

This Condition 7 applies only to Additional Tier 1 Notes

(b) Non-payment of interest

- (i) Notwithstanding any other provision of these Conditions, the Issuer shall at all times have full discretion regarding any payment of interest on the Additional Tier 1 Notes. Interest payments on the Additional Tier 1 Notes will not be cumulative. Any election not to pay the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date in accordance with this Condition 7 shall not impose any restriction on the Issuer. For the avoidance of doubt, if the Issuer is not obliged to pay the relevant Interest Amount on the relevant Interest Payment Date in accordance with this Condition 7, the Issuer shall have full access to the relevant Interest Amount (or the relevant portion thereof) to meet any relevant obligation as it falls due.
- (ii) Subject to Condition 7(b)(iii) below, the Issuer may elect not to pay the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date. If the Issuer elects not to pay the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date, it shall give notice of such election to the Additional Tier 1 Noteholders in

accordance with Condition 21 (*Notices*) and to the Fiscal Agent on or prior to the relevant Interest Payment Date.

- (iii) The Issuer *shall* elect not to pay the relevant Interest Amount on the relevant Interest Payment Date if:
 - (1) the Issuer is in breach of the Capital Regulations on the Business Day prior to the relevant Interest Payment Date or would be in breach of the Capital Regulations if the relevant Interest Amount (or any portion thereof) were paid on the relevant Interest Payment Date; or
 - (1) the Relevant Authority imposes a mandatory prohibition on the payment by the Issuer of interest
- (iv) If the Issuer is obliged pursuant to Condition 7(b)(iii), not to pay the relevant Interest Amount (or any portion thereof) on the relevant Interest Payment Date, it shall give notice of such fact to the Additional Tier 1 Noteholders in accordance with Condition 21 (*Notices*) and to the Relevant Authority and the Fiscal Agent.
- (v) If the Issuer is not obliged to pay the relevant Interest Amount on the relevant Interest Payment Date in accordance with the provisions of this Condition 7(b) then the obligation that the Issuer would have had, in the absence of this Condition 7(b), to pay the relevant Interest Amount (or the relevant portion thereof) to the Noteholders on the relevant Interest Payment Date shall be extinguished in its entirety, and any such failure to pay the relevant Interest Amount shall not constitute an Event of Default by the Issuer or any other breach of the Issuer's obligations under the Additional Tier 1 Notes and these Conditions or for any other purpose and the Additional Tier 1 Noteholders will have no claim in respect of any such non-payment.

8 Fixed Rate Note Provisions

(a) Application

This Condition 8 is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) Accrual of interest

The Notes bear interest from and including the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 13 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 8 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) Fixed Coupon Amount

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

(d) **Calculation of interest amount**

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

(e) **Fixed Coupon Amounts and Interest Amounts Following Write Off**

If a Series of Subordinated Notes has been subject to a partial Write-Off in accordance with Condition 12 (*Trigger Event and Consequences*), the Interest Amount or Fixed Coupon Amount calculated in accordance with the foregoing provisions of this Condition 8 (*Fixed Rate Note Provisions*) shall be reduced by a factor which reflects the proportion which the Relevant Portion of the Unpaid Amount (excluding any accrued but unpaid interest) in respect of each Note, after giving effect to the relevant Write-Off, bears to the original Specified Denomination of such Note.

9 Floating Rate Note Provisions

(a) **Application**

This Condition 9 is applicable to the Notes only if the Floating Rate Note Provisions are specified in the relevant Final Terms as being applicable.

(b) **Accrual of interest**

The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 13 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 9 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) **Screen Rate Determination**

If Screen Rate Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

- (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

- (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
 - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time, and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

(d) **ISDA Determination**

If ISDA Determination is specified in the relevant Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;
- (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Final Terms; and
- (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Final Terms.

(e) **Maximum or Minimum Rate of Interest**

If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.

(f) **Calculation of Interest Amount**

The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of

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

(g) **Publication**

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

(h) **Notifications etc.**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 9 by the Calculation Agent will (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Paying Agents and the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(i) **Interest Amounts Following Write Off**

If a Series of Subordinated Notes has been subject to a partial Write-Off in accordance with Condition 12 (*Trigger Event and Consequences*), the Interest Amount calculated in accordance with the foregoing provisions of this Condition 9 (*Floating Rate Note Provisions*) shall be reduced by a factor which reflects the proportion which the Relevant Portion of the Unpaid Amount (excluding any accrued but unpaid interest) in respect of each Note, after giving effect to the relevant Write-Off, bears to the original Specified Denomination of such Note and no further Interest Amounts shall be payable in respect of such Written Off portion. If the Total Principal Amount of a Series of Subordinated Notes is Written Off, no further Interest Amounts shall be payable in respect of such Notes.

10 Zero Coupon Note Provisions

(a) **Application**

This Condition 10 is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Final Terms as being applicable.

(b) **Late payment on Zero Coupon Notes**

If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

11 Redemption and Purchase

(a) Scheduled redemption

- (i) Unless previously redeemed or purchased and cancelled, the Tier 2 Notes and the Unsubordinated Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 13 (*Payments*).
- (ii) Additional Tier 1 Notes have no Maturity Date and (without prejudice to the provisions of Condition 15(c) (*Events of Default relating to the Additional Tier 1 Notes*)):
 - (1) shall only be redeemed, at their outstanding principal amount together with accrued interest (if any), on a winding-up (other than pursuant to a Solvent Reconstruction) or liquidation of the Issuer subject to Condition 5(c) (*Status - Status of Additional Tier 1 Notes*);
 - (2) may only be redeemed, substituted, varied or purchased, prior to a winding-up or liquidation of the Issuer, in accordance with and subject to the provisions of Condition 11(b) (*Redemption for tax reasons*), Condition 11(c) (*Redemption for regulatory reasons*), Condition 11(d) (*Redemption at the option of the Issuer*) or Condition 11(k) (*Substitution or variation of Additional Tier 1 Notes*), as applicable.

(b) Redemption for tax reasons

The Notes may, subject in the case of Additional Tier 1 Notes and Tier 2 Notes, to the prior written approval of the Relevant Authority, be redeemed at the option of the Issuer in whole, but not in part, if a Tax Event occurs and is continuing:

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

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 21 (*Notices*) and to the Registrar and the Fiscal Agent, at their Early Redemption Amount (Tax) together with interest accrued (if any) to the date fixed for redemption,

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

- (3) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts or would not be entitled (or such entitlement is materially reduced) to claim a deduction in respect of computing its taxation liabilities; or

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

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

(c) **Redemption for regulatory reasons**

If a Regulatory Event has occurred and is continuing, Subordinated Notes may (subject to the prior written approval of the Relevant Authority, be redeemed, at the option of the Issuer (in whole but not in part), subject to the Issuer having given not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable) in accordance with Condition 21 (*Notices*) and to the Registrar and the Fiscal Agent, on the Early Redemption Date (Regulatory), at the Early Redemption Amount (Regulatory).

Prior to the publication of any notice of redemption pursuant to this Condition 11(c), the Issuer shall deliver to the Fiscal Agent (A) a certificate signed by two authorised officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) unless the Relevant Authority has confirmed to the Issuer that the proceeds of the issue of the relevant Notes are not eligible to qualify as the relevant class of Eligible Capital of the Issuer on a solo and/or a consolidated basis, an opinion of independent advisers of recognised standing to the effect that a Regulatory Event has occurred. Upon the expiry of any such notice as is referred to in this Condition 11(c), the Issuer shall be bound to redeem the Notes in accordance with this Condition 11(c).

(d) **Redemption at the option of the Issuer**

If the Call Option is specified in the relevant Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) upon the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date), provided that, in relation to any Subordinated Notes:

- (i) no Optional Redemption Date (Call) shall fall earlier than the date being 5 (five) years and 1 (one) day after the Issue Date;
- (ii) the Issuer shall obtain the prior written approval of the Relevant Authority before exercising the Call Option;
- (iii) the Issuer shall not (and does not) create any expectation that the Call Option will be exercised; and
- (iv) the Issuer shall not exercise the Call Option unless:

- (1) the Issuer concurrently replaces the Subordinated Notes being so redeemed with capital of similar or better quality and the replacement of capital is effected on terms that are sustainable for the income capacity of the Issuer; or
- (2) the Issuer demonstrates to the satisfaction of the Relevant Authority that the Issuer's capital position will be well above the relevant specified minimum capital requirements after the Call Option is exercised.

(e) **Partial redemption**

If the Notes are to be redeemed in part only on any date in accordance with Condition 11(d) (*Redemption at the option of the Issuer*), each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date.

(f) **Redemption at the option of Noteholders**

This Condition 11(f) applies only to Unsubordinated Notes. If the Put Option is specified in the relevant Final Terms as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 11(f), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit the Note Certificate relating to such Note with any Paying Agent together with a duly completed Put Option Notice in the form obtainable from any Paying Agent. No Note Certificate, once deposited with a duly completed Put Option Notice in accordance with this Condition 11(f), may be withdrawn; *provided, however, that* if, prior to the relevant Optional Redemption Date (Put), the Notes evidenced by any Note Certificate so deposited become immediately due and payable or, upon due presentation of any Note Certificate on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, such Note Certificate shall, without prejudice to the exercise of the Put Option, be returned to the Holder by uninsured first class mail (airmail if overseas) at the address specified by such Holder in the relevant Put Option Notice.

(g) **No other redemption**

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (f) above.

(h) **Early redemption of Zero Coupon Notes**

The Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

- (i) the Reference Price; and
- (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable,

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

(i) **Purchase**

The Issuer may at any time purchase Subordinated Notes (subject to the prior written approval of the Relevant Authority), and the Issuer or any of its Subsidiaries may at any time purchase Unsubordinated Notes, in the open market or otherwise and at any price. In the event of the Issuer purchasing Notes, such Notes may (subject to the restrictions of any Applicable Law) be held, resold or, at the option of the Issuer, cancelled. Unsubordinated Notes purchased by any of the Issuer's Subsidiaries may be held or resold.

(j) **Cancellation**

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

(k) **Substitution or Variation of Additional Tier 1 Notes**

- (i) If a Tax Event or a Regulatory Event, as the case may be, has occurred and is continuing, then the Issuer may, at its option, instead of giving notice to redeem a Series of Additional Tier 1 Notes pursuant to Condition 11(b) (*Redemption for tax reasons*) or Condition 11(c) (*Redemption for regulatory reasons*), as the case may be, subject to the Issuer satisfying the conditions set out in Condition 11(l) (*Conditions to substitution or variation of Additional Tier 1 Notes*) (but without any requirement for the consent or approval of any Noteholder), having given not less than 60 nor more than 90 days' notice to the Registrar, the Fiscal Agent and the Noteholders of that Series of Additional Tier 1 Notes in accordance with Condition 21 (*Notices*) (which notice shall be irrevocable), substitute at any time all (but not some only) of the Additional Tier 1 Notes in that Series for, or vary the Applicable Terms and Conditions of that Series of Additional Tier 1 Notes so that they remain, Qualifying Additional Tier 1 Capital Securities or become Qualifying Tier 2 Capital Securities.
- (ii) The Issuer shall, in connection with any substitution or variation of a Series of Additional Tier 1 Notes in accordance with this Condition 11(k), comply with the rules of any stock exchange on which that Series of Additional Tier 1 Notes is listed.

(l) **Conditions to substitution or variation of Additional Tier 1 Notes**

A Series of Additional Tier 1 Notes may only be substituted or varied by the Issuer pursuant to Condition 11(k) (*Substitution or variation of Additional Tier 1 Notes*) if:

- (i) the Issuer has notified the Relevant Authority of its intention to substitute or vary that Series of Additional Tier 1 Notes at least one month (or such other period, longer or shorter, as the Relevant Authority may then require or accept) prior to the date scheduled for substitution or variation of that Series of Additional Tier 1 Notes and written approval has been received from the Relevant Authority; and
- (i) both at the time when the notice of substitution or variation of that Series of Additional Tier 1 Notes is given and immediately following the substitution or variation of that Series of Additional Tier 1 Notes, the Issuer is or will be (as the case may be) in compliance with its capital adequacy requirements as provided in the Capital Regulations (except to the extent that the Relevant Authority no longer so requires) as confirmed by the Relevant Authority.

12 Trigger Event and Consequences

This Condition 12 applies only to Subordinated Notes.

(a) Definitions

- (i) The "**Unpaid Amount**", in relation to a Series of Subordinated Notes, will (at the discretion of the Relevant Authority) either be the Total Principal Amount or the Relevant Portion of the Principal Amount (both as defined in Condition 12(b) below), as the case may be, plus all accrued but unpaid interest on the Total Principal Amount or the Relevant Portion of the Principal Amount, as the case may be, as at the date of the occurrence of the Trigger Event. The "**Relevant Portion of the Unpaid Amount**", in relation to each Subordinated Note in a Series of Subordinated Notes, will be the Unpaid Amount divided by the number of Subordinated Note(s) in that Series.
- (ii) Where the Unpaid Amount in respect of a Series of Subordinated Notes is determined with reference to the Total Principal Amount, "**all of the Subordinated Notes**" means the whole of each Subordinated Note in that Series (and 100% of the outstanding principal amount of that Subordinated Note). Where the Unpaid Amount in respect of a Series of Subordinated Notes is determined with reference to the Relevant Portion of the Principal Amount, the "**Relevant Portion of the Subordinated Notes**" means that portion of each Subordinated Note in that Series (and that percentage of the outstanding principal amount of that Subordinated Note) that is equivalent to the proportion (expressed as a percentage) which the Relevant Portion of the Principal Amount bears to the Total Principal Amount.
- (iii) "**Relevant Noteholder**", in relation to a Series of Subordinated Notes, means each Noteholder of Subordinated Note(s) in that Series and "**Relevant Noteholders**" means, collectively, all of such Noteholders.

(b) Compulsory Write-Off of principal and interest in respect of a Series of Subordinated Notes upon the occurrence of the Trigger Event

- (i) The "Trigger Event" for Additional Tier 1 Notes which are accounted as equity (if any) and Tier 2 Notes respectively will be the occurrence of the "trigger event" specified in writing by the Relevant Authority (as contemplated in Regulation 38(13)(b)(i) and Regulation 38(14)(a)(i) respectively of the Regulations Relating to Banks); *provided that*, as a minimum, the aforesaid "trigger event" shall be the earlier of:
 - (a) a decision by the Relevant Authority that a write-off, without which the Issuer would become non-viable, is necessary; or
 - (b) the decision by the Relevant Authority to make a public sector injection of capital, or equivalent support in respect of the Bank, without which the Issuer would become non-viable,as contemplated in sub-paragraph (iii) of the proviso to Regulation 38(13)(b)(i) and sub-paragraph (iii) of the proviso to Regulation 38(14)(a)(i) respectively of the Regulations Relating to Banks.
- (ii) The "Trigger Event" for Additional Tier 1 Notes which are accounted as liabilities will be the first to occur of the following events:
 - (a) the occurrence of the "trigger event" specified in writing by the Relevant Authority (as contemplated in Regulation 38(13)(b)(i) of the Regulations Relating to Banks); or

- (b) the CET 1 Ratio is equal to or falls below 5.875% of risk-weighted exposures.

The "trigger event" referred to in Condition 12(b)(ii)(a) above shall, as a minimum, be the earlier of:

- (a) a decision by the Relevant Authority that a write-off, without which the Issuer would become non-viable, is necessary; or
- (b) the decision by the Relevant Authority to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable,

as contemplated in sub-paragraph (iii) of the proviso to Regulation 38(13)(b)(i) of the Regulations Relating to Banks.

The Relevant Authority will notify the Issuer in writing once the Relevant Authority determines that the Trigger Event has occurred.

- (iii) The Relevant Authority will also determine whether, on the occurrence of the Trigger Event (at the Discretion of the Relevant Authority), the entire outstanding principal amount of a Series of Subordinated Notes ("**Total Principal Amount**") or a portion of the outstanding principal amount ("**Relevant Portion of the Principal Amount**") will be Written Off, such determination to be based on the book value of that Series of Subordinated Notes as reflected in the Issuer's financial statements or management accounts at the relevant time (with reference to the amount required to increase the CET1 Ratio such that the Issuer will be deemed by the Relevant Authority to be viable again).
- (iv) If following the occurrence of the Trigger Event the Relevant Authority notifies the Issuer that a Series of Subordinated Notes shall be subject to Write-Off (at the Discretion of the Relevant Authority) and the Unpaid Amount in respect of such Write-Off, the Issuer will, as soon as may be practicable after the receipt of such notice, notify the Fiscal Agent and the Registrar and notify the Noteholders in accordance with Condition 21 (*Notices*), of the occurrence of the Trigger Event and the Unpaid Amount. Upon delivery of such notice by the Issuer:
 - (a) the Unpaid Amount shall be Written Off without further action on the part of the Issuer, any Noteholder or any other person;
 - (b) the obligation that the Issuer would have had, in the absence of this Condition 12(b), to pay the Unpaid Amount to the Relevant Noteholders, and all claims in respect of such Unpaid Amount, shall be extinguished in its entirety;
 - (c) the Unpaid Amount shall be Written Off permanently with no provision for a write-up once the Issuer becomes viable again and shall be irrevocably lost;
 - (d) where the Unpaid Amount is determined with reference to the Total Principal Amount, all of the Subordinated Notes shall (in consequence of the Write-Off) be cancelled and extinguished, without further action on the part of the Issuer, any Noteholder or any other person;
 - (e) where the Unpaid Amount is determined with reference to the Relevant Portion of the Principal Amount, the Relevant Portion of the Subordinated Notes of the relevant Series shall (in consequence of the Write-Off) be cancelled and extinguished, without further action on the part of the Issuer, any Noteholder or any other person and the outstanding principal amount of the Notes shall be reduced accordingly;

- (v) the Registrar or the Fiscal Agent shall (on the instruction of the Issuer) annotate each Note Certificate presented to it to reflect such reduction and corresponding cancellation of Interest Amounts.
- (c) **Surviving Subordinated Notes and failure to pay the Unpaid Amount**
- (i) Where, for purposes of Condition 12(b) (*Compulsory Write-Off of a Series of Subordinated Notes upon the occurrence of the Trigger Event*), the Unpaid Amount in respect of a Series of Subordinated Notes is determined with reference to the Relevant Portion of the Principal Amount:
 - (1) the balance of that Series of Subordinated Notes not cancelled and extinguished (in consequence of the Write-Off) (such balance being the "**Surviving Subordinated Notes**") shall continue to exist and, after the Write-Off, all references to the "principal amount" in these Conditions, the Notes or the Fiscal Agency Agreement and any interest or other right or entitlement calculated by reference to such principal amount (including, without limitation, Condition 11(a) (*Scheduled Redemption*), Condition 11(b) (*Redemption for tax reasons*), Condition 11(c) (*Redemption for regulatory reasons*) and Condition 11(d) (*Redemption at the option of the Issuer*), as applicable, shall be construed as references to the Total Principal Amount less the Relevant Portion of the Principal Amount, and all references to "Subordinated Notes" and "a Series of Subordinated Notes" in these Conditions, the Notes or the Fiscal Agency Agreement (including, without limitation, Condition 11(a) (*Scheduled Redemption*), Condition 11(b) (*Redemption for tax reasons*), Condition 11(c) (*Redemption for regulatory reasons*) and Condition 11(d) (*Redemption at the option of the Issuer*)) shall be construed as references to the Surviving Subordinated Notes; and
 - (2) without limiting the provisions of Condition 12(c)(i)(1) if, after the Write-Off, a Series of Subordinated Notes is to be redeemed in terms of Condition 11(a) (*Scheduled Redemption*), Condition 11(b) (*Redemption for tax reasons*) or Condition 11(c) (*Redemption for regulatory reasons*) or Condition 11(d) (*Redemption at the option of the Issuer*), as the case may be, the amount of principal and accrued but unpaid interest to be paid to the Relevant Noteholders in terms of Condition 11(b) (*Redemption for tax reasons*) or Condition 11(c) (*Redemption for regulatory reasons*) or Condition 11(d) (*Redemption at the option of the Issuer*), in each case as applicable, shall be irrevocably reduced by the Unpaid Amount.
 - (ii) Failure to pay the Unpaid Amount to the Relevant Noteholders in consequence of the Write-Off shall not constitute an Event of Default or any other breach of the Issuer's obligations under the relevant Series of Subordinated Notes or the Conditions. The Relevant Noteholders will cease to have any claims for the Unpaid Amount or any portion thereof and the Issuer shall not (and shall not be obliged to) compensate the Relevant Noteholders in any manner for the Unpaid Amount or any portion thereof.
 - (iii) None of the Agents shall have any responsibility for, or liability or obligation in respect of, any loss, claim or demand incurred as a result of or in connection with a Trigger Event or any consequent Write Off or cancellation of the Subordinated Notes or write down of any claims in respect thereof pursuant to Condition 12 (*Trigger Event and Consequences*), and shall have no responsibility to (i) monitor whether any Trigger Event has occurred or (ii) ensure that any Write Off is completed in accordance with Condition 12 (*Trigger Event and Consequences*). Furthermore, none of the Agents shall be responsible for any calculation or the verification of any calculation in connection with any of the foregoing.

13 Payments

(a) **Principal**

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

(b) **Interest**

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

(c) **Payments subject to fiscal laws**

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 14 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) **Payments on business days**

Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the Payment Business Day immediately preceding the due date for payment. A Holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 13(d) arriving after the due date for payment or being lost in the mail.

(e) **Partial payments**

If a Paying Agent makes a partial payment in respect of any Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and date of such payment is endorsed on the relevant Note Certificate.

(f) **Record date**

Each payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

14 Taxation

(a) **Gross up**

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction or any political subdivision therein or any authority therein or thereof having power to tax, unless the withholding or deduction of such Taxes is required by law. In the event that payments by the Issuer are subject to withholding or deduction in this manner, the Issuer shall (subject to the Issuer's right to redeem their Notes pursuant to Condition 11(b) (*Redemption for Tax Reasons*) and, where applicable, Condition 11(k) (*Substitution or Variation of Additional Tier 1 Notes*)), pay such additional amounts as will result in receipt by the Noteholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note:

- (i) to a Holder which is liable to such Taxes in respect of such Note by reason of its having some connection with any Relevant Jurisdiction other than merely by holding such Note or by the receipt of amounts in respect of such Note; or
- (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iii) where presentation and surrender for payment is required pursuant to these Conditions, if presented and surrendered for payment by, or on behalf of, or held by a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note Certificate to another Paying Agent in a Member State of the EU;
- (iv) where (in the case of a payment of principal or interest on redemption) the relevant Note Certificate is presented and surrendered for payment more than 30 days after the Relevant Date except to the extent that the relevant Holder would have been entitled to such additional amounts if it had surrendered the relevant Note Certificate on the last day of such period of 30 days; or
- (v) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

(b) Taxing jurisdiction

If the Issuer becomes subject at any time to any taxing jurisdiction other than the United Kingdom or South Africa, references in these Conditions to the United Kingdom or South Africa (and the definition of Relevant Jurisdiction) shall be construed as references to the United Kingdom or South Africa and/or such other jurisdiction.

15 Events of Default

15.1 Events of Default relating to Unsubordinated Notes

This Condition 15.1 only applies to Unsubordinated Notes.

If any of the following events occurs and is continuing:

(a) Non-payment

The Issuer fails to pay any amount of principal in respect of the Notes within five days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 10 days of the due date for payment thereof; or

(b) Breach of other obligations

The Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Deed of Covenant and such default remains unremedied for 30 days after written notice thereof, has been delivered by any Noteholder to the Issuer or to the Specified Office of the Fiscal Agent (addressed to the Issuer); or

(c) Cross-default of Issuer or Principal Subsidiary

- (i) any other present or future Financial Indebtedness of the Issuer or any of its Principal Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;
- (ii) any such Financial Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity otherwise than at the option of the Issuer or (as the case may be) the relevant Principal Subsidiary or (provided that no Event of Default, howsoever described, has occurred) any Person entitled to such Financial Indebtedness; or
- (iii) the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Financial Indebtedness;

provided that the amount of Financial Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any Guarantee referred to in subparagraph (iii) above individually or in the aggregate exceeds U.S.\$20,000,000 (or its equivalent in any other currency or currencies); or

(d) Unsatisfied judgment

One or more judgment(s) or order(s) from which no further appeal is permissible under applicable law for the payment of any amount in excess of U.S.\$20,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer or any of its Principal Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) Security enforced

Any present or future Security Interest created by the Issuer or any Principal Subsidiary over all or a substantial part of its undertaking, assets and revenues for an amount at the relevant time in excess of U.S.\$20,000,000 (or its equivalent in any other currency or currencies) becomes enforceable and any step is taken to enforce it (including, but not limited to, the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person or analogous event) unless such enforcement is discharged within 45 days or the Issuer or Principal Subsidiary (as the case may be) is contesting such enforcement in good faith; or

(f) Insolvency etc.

(i) the Issuer or its Principal Subsidiaries becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator, curator, judicial manager or liquidator is appointed (or application for any such appointment is made) in respect of the Issuer or any of its Principal Subsidiaries or in respect of the whole or a substantial part of the undertaking, assets and revenues of the Issuer or any of its Principal Subsidiaries, (iii) the Issuer or any of its Principal Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Financial Indebtedness or any Guarantee of any Financial Indebtedness given by it or (iv) the Issuer or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than (A) in the case of a Principal Subsidiary of the Issuer for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent; or (B) in the case of the Issuer, in respect of a Solvent Reconstruction); or

(g) Winding-up etc.

An order is made or an effective resolution is passed for the winding-up, liquidation, administration or dissolution of the Issuer or any of its Principal Subsidiaries (otherwise than (A) in the case of a Principal Subsidiary of the Issuer for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent; or (B) in the case of the Issuer, in respect of a Solvent Reconstruction); or

(h) Analogous event

Any event occurs which under the laws of South Africa or other relevant jurisdiction in the case of a Principal Subsidiary has an analogous effect to any of the events referred to paragraphs (d) to (g) above; or

(i) Failure to take action etc.

Any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes and the Deed of Covenant, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Note Certificates and the Deed of Covenant admissible in evidence in the courts of South Africa is not taken, fulfilled or done; or

(j) Unlawfulness

It is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Deed of Covenant,

then any Unsubordinated Note may, by written notice from the Holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent (addressed to the Issuer), be declared immediately due and payable, whereupon it shall become immediately due and payable at

its Early Termination Amount together with accrued interest (if any) without further action or formality.

15.2 Events of Default relating to Tier 2 Notes

This Condition 15.2 applies only to Tier 2 Notes.

- (a) If default shall be made in the payment of any principal or interest due on the Tier 2 Notes for a period of five days or more after any date on which the payment of principal is due or 10 days or more after any date on which the payment of interest is due (as the case may be) (except where such Notes are subject to a Write Off in accordance with Condition 12 (*Trigger Event and Consequences*)), any Tier 2 Noteholder may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove in any winding-up of the Issuer, but take no other action in respect of that default. In such proceedings or winding-up the claim of each Tier 2 Noteholder shall be for the Early Termination Amount together with accrued interest (if any) in respect of each Tier 2 Note.
- (b) Payments of principal and/or interest on the Tier 2 Notes may not be accelerated by any Tier 2 Noteholder except in the case of bankruptcy and/or liquidation of the Issuer.
- (c) If any step (including an application, a proposal or a convening of a meeting) is taken by any person with a view to having the Issuer liquidated and an order is thereafter passed for the liquidation of the Issuer, all of the Tier 2 Notes shall be deemed, on the date on which such step is taken, to have been declared forthwith due and payable (whether or not due for payment and without further action or formality), at the Early Termination Amount (subject to Condition 5(b) (*Status of Tier 2 Notes*)), on and with effect from the day preceding the date on which such order for the liquidation of the Issuer is passed.
- (d) Without prejudice to paragraphs (a) to (c) above, if the Issuer breaches any of its obligations under the Tier 2 Notes (other than any obligation in respect of the payment of principal or interest on such Notes) then each Tier 2 Noteholder may at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on such Tier 2 Notes sooner than the same would otherwise have been payable by it.

15.3 Events of Default relating to Additional Tier 1 Notes

- (a) This Condition 15.3 applies only to Additional Tier 1 Notes.
- (b) Notwithstanding any of the provisions of this Condition 15.3, the right to institute winding up proceedings is limited to circumstances where amounts under the Additional Tier 1 Notes have become due and payable. Also, in the case of any Interest Amount in respect of Additional Tier 1 Notes, payment thereof will not be due if the Issuer has elected or is obliged not to pay that Interest Amount (or any portion thereof) pursuant to Condition 7(b) (*Non-payment of interest*).
- (c) If default shall be made in the payment of any principal or any interest due on the Additional Tier 1 Notes for a period of 7 (seven) days or more after any date on which such principal or any interest becomes due and payable (except where such Notes are subject to a Write Off in accordance with Condition 12 (*Trigger Event and Consequences*)), each Additional Tier 1 Noteholder may, subject as provided below, at its discretion and without further notice, institute proceedings for the winding-up of the Issuer and/or prove in any winding-up of the Issuer, but may take no other action in respect of such default.

- (d) Without prejudice to Condition 15.3(c), if the Issuer breaches any of its obligations under the Additional Tier 1 Notes (other than any obligation in respect of the payment of principal or interest on the Additional Tier 1 Notes) then each Additional Tier 1 Noteholder may, subject as provided below, at its discretion and without further notice, bring such proceedings as it may think fit to enforce the obligation in question; provided that the Issuer shall not, as a result of the bringing of any such proceedings, be obliged to pay any sum representing or measured by reference to principal or interest on the Additional Tier 1 Notes sooner than the same would otherwise have been payable by it.

16 Prescription

Claims against the Issuer for payment in respect of the Notes shall be prescribed and become void unless the relevant Note Certificates are surrendered for payment within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date.

17 Replacement of Notes

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

18 Agents and Registrar

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

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

- (a) the Issuer shall at all times maintain a fiscal agent and a registrar; and
- (b) the Issuer shall at all times maintain a Paying Agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law or other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000; and
- (c) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any stock exchange and/or quotation system which requires the appointment of a paying agent and/or registrar in any particular place, the Issuer shall maintain a paying agent and/or a registrar each with a Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

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

19 Meetings of Noteholders; Modification

(a) Meetings of Noteholders

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; *provided, however, that* Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not. In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(b) Modification

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

20 Further Issues

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

21 Notices

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

22 Currency Indemnity

If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court

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

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

23 Rounding

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

24 Governing Law and Jurisdiction

(a) Governing law

The Notes, all matters arising from or connected with the Notes and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law save that the provisions of Condition 5 (*Status*) are governed by, and shall be construed in accordance with, South African law.

(b) English courts

The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising from or connected with the Notes.

(c) Appropriate forum

The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.

(d) Rights of the Noteholders to take proceedings outside England

Condition 24(b) (*English courts*) is for the benefit of the Noteholders only. As a result, nothing in this Condition 24 prevents any Noteholder from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.

(e) Process agent

The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Clifford Chance Secretaries Limited of 10 Upper Bank Street, London, E14 5JJ, United Kingdom or, if different, its registered office for the time being or at any address of the Issuer in Great Britain at

which process may be served on it in accordance with Part 37 of the Companies Act 2006. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES

The terms and conditions applicable to Credit Linked Notes shall comprise the Terms and Conditions applicable to Unsubordinated Notes set out herein under "Terms and Conditions of the Notes" (the "**General Conditions**") and the additional Terms and Conditions set out below (the "**Credit Linked Conditions**"), in each case subject to completion in the applicable Final Terms. In the event of any inconsistency between the General Conditions and the Credit Linked Conditions, the Credit Linked Conditions set out below shall prevail. The applicable Final Terms shall specify whether the Notes are Single Name Credit Linked Notes, First-to-Default Credit Linked Notes, N^{th} -to-Default Credit Linked Notes, Linear Basket Credit Linked Notes or any other type of Credit Linked Notes.

1 Redemption upon the occurrence of a Credit Event

- (a) If a Credit Event has occurred on any day during the Observation Period and the Conditions to Settlement are satisfied on or prior to the Conditions to Settlement End Date then:
 - (i) subject to Condition 8 of these Credit Linked Conditions, interest shall cease to accrue on the Notes with effect from (A) the Interest Period Date immediately preceding the Event Determination Date or, if no Interest Period Date has occurred, the Interest Commencement Date, or (B) if "Alternative Interest Cessation Date" is stated as applying in the applicable Final Terms, the date specified in the relevant Credit Event Notice (which shall be no earlier than the date referred to in sub-paragraph (a)(i)(A) above), provided that, in each case, if the Credit Event is a Multiple Exercise Credit Event and/or the Notes are Linear Basket Credit Linked Notes, interest shall cease to accrue only on the relevant Applicable Proportion of the Specified Denomination of each Note; and
 - (ii) if the Calculation Agent determines that the related Event Determination Date has not been reversed pursuant to Condition 8 of these Credit Linked Conditions on or prior to the earlier to occur of the relevant Auction Final Price Determination Date, Valuation Date, Physical Settlement Date (or, if earlier, Delivery Date) or the Scheduled Observation End Date, as applicable, subject to Conditions 5, 7 and 8 of these Credit Linked Conditions, the Issuer's obligation to redeem each Note at its Final Redemption Amount on the Final Payment Date in accordance with Condition 11 of the General Conditions shall cease and be replaced by an obligation to redeem each Note in whole (or, if the Credit Event is a Multiple Exercise Restructuring Credit Event and/or the Notes are Linear Basket Credit Linked Notes, in part) as follows:
 - (A) if "Cash Settlement" is specified as the Settlement Basis in the applicable Final Terms (or if Cash Settlement is specified as the Fallback Settlement Basis and Condition 4 of these Credit Linked Conditions requires that the Issuer redeems the Notes in accordance with Condition 2 of these Credit Linked Conditions), by payment on the relevant Cash Settlement Date of the Cash Settlement Amounts in accordance with Condition 2 of these Credit Linked Conditions;
 - (B) if "Physical Settlement" is specified as the Settlement Basis in the applicable Final Terms (or if Physical Settlement is specified as the Fallback Settlement Basis and Condition 4 of these Credit Linked Conditions requires that the Issuer redeems the Notes in accordance with Condition 3 of these Credit Linked Conditions), by Delivery of the Deliverable Obligation Entitlements by the relevant Physical Settlement Date in accordance with Condition 3 of these Credit Linked Conditions;

- (C) if "Auction Settlement" is specified as the Settlement Basis in the applicable Final Terms, by payment on the relevant Auction Cash Settlement Date of the Auction Cash Settlement Amounts in accordance with Condition 4 of these Credit Linked Conditions;
- (D) if "Cash or Physical Settlement" is specified as the Settlement Basis in the applicable Final Terms, as set out in sub-paragraph (a)(ii)(A) or (a)(ii)(B) above at the option of the Issuer in its sole and absolute discretion and notified to Noteholders; or
- (E) if "Cash or Physical or Auction Settlement" is specified as the Settlement Basis in the applicable Final Terms, as set out in sub-paragraph (a)(ii)(A), (a)(ii)(B) or (a)(ii)(C) above at the option of the Issuer in its sole and absolute discretion and notified to Noteholders,

in each case subject to Condition 5 of these Credit Linked Conditions.

- (b) Upon discharge by the Issuer of its payment or delivery obligations on the Cash Settlement Date or Auction Cash Settlement Date (or, if the relevant Cash Settlement Amount or the Auction Cash Settlement Amount is zero, upon the occurrence of the Cash Settlement Date or Auction Cash Settlement Date, as applicable) or by the Physical Settlement Date, as the case may be, pursuant to Condition 2, 3 or 4 of these Credit Linked Conditions, as applicable, or as otherwise provided herein, the Issuer's obligations in respect of the Notes shall be discharged in full.
- (c) If the Notes are redeemed in part but not in full, the Issuer shall procure that the principal amount of the Notes that has been redeemed in accordance with Condition 2(a)(ii), 2(a)(iii), 3(a)(ii) or 3(a)(iii) of these Credit Linked Conditions (as applicable) and date of such partial redemption are noted on the Register and a new Note Certificate shall be issued to the Holder in respect of the balance of its holding not redeemed, provided that new Note Certificates shall only be issued against surrender of the existing Certificates to the Registrar. Within five business days of the surrender of a Note Certificate in accordance with this sub-paragraph (c), the Registrar will deliver a new Note Certificate in respect of the balance of holding not redeemed to the relevant Holder at its Specified Office or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this sub-paragraph (c), "business day" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar has its Specified Office.

2 Cash Settlement

- (a) Subject to Conditions 5, 6 and 8 of these Credit Linked Conditions, where "Cash Settlement" is the applicable Settlement Basis (or "Cash or Physical Settlement" or "Cash or Physical or Auction Settlement" is specified in the applicable Final Terms and Cash Settlement is elected by the Issuer, or Cash Settlement is specified as the Fallback Settlement Basis and Condition 4 of these Credit Linked Conditions requires that the Issuer redeems the Notes in accordance with this Condition 2), then on the relevant Cash Settlement Date the Issuer shall, subject as aforesaid, redeem:
 - (i) if the Credit Event is not a Multiple Exercise Restructuring Credit Event and the Notes are not Linear Basket Credit Linked Notes, each Note in whole at the amount specified in sub-paragraph (b) below; or
 - (ii) if the Credit Event is not a Multiple Exercise Restructuring Credit Event but the Note is a Linear Basket Credit Linked Note, a portion of the principal amount of each Note equal to the Applicable Proportion determined by reference to the Related Nominal Amount of the Reference Entity in respect of which the Credit Event occurred; or

- (iii) if the Credit Event is a Multiple Exercise Restructuring Credit Event, a portion of the principal amount of each Note equal to the Applicable Proportion determined by reference to the Exercise Amount specified in the Credit Event Notice relating to the relevant Credit Event.
- (b) On any redemption of a Note pursuant to sub-paragraph (a) above, subject to Conditions 5, 6 and 8 of these Credit Linked Conditions, the Issuer shall redeem the Applicable Proportion of each Note at the Cash Settlement Amount on the Cash Settlement Date. The Cash Settlement Amount in respect of each Note shall be the amount specified as such in the applicable Final Terms or, if no such amount is specified, an amount determined by the Calculation Agent to be the greater of:
 - (i) zero; and
 - (ii) an amount equal to:
 - (A) the Final Price of the Valuation Obligation(s); multiplied by
 - (B) an amount equal to the Applicable Proportion multiplied by the outstanding principal amount of such Note,

provided that, if the applicable Final Terms specify that "Hedge Unwind Adjustment" shall apply, then the Cash Settlement Amount in respect of each Note shall be adjusted downwards to reflect that Note's pro rata share of the Hedge Unwind Costs (if any). Payment by the Issuer of the Cash Settlement Amount shall fully and effectively discharge the Issuer's obligation to redeem the Applicable Proportion of the relevant Note.

- (c) If the Cash Settlement Amount is to be determined by reference to the Final Price of the Valuation Obligation(s), such Final Price shall be determined by the Calculation Agent in accordance with the Valuation Method specified in the applicable Final Terms, or, if no such Valuation Method is specified, the Final Price shall be determined (i) with respect to one Valuation Obligation and one Valuation Date, in accordance with the "Highest" Valuation Method; (ii) with respect to one Valuation Obligation and more than one Valuation Date, in accordance with the "Average Highest" Valuation Method; (iii) with respect to more than one Valuation Obligation and one Valuation Date, in accordance with the "Blended Highest" Valuation Method; or (iv) with respect to more than one Valuation Obligation and more than one Valuation Date, in accordance with the "Average Blended Highest" Valuation Method, unless, in each case, the relevant Quotations include Weighted Average Quotations or fewer than two Full Quotations are obtained, in which case and notwithstanding anything to the contrary in sub-paragraphs (c)(i) to (c)(iv) above the Final Price shall be determined in accordance with the "Market", "Average Market", "Blended Market" or "Average Blended Market" Valuation Method, as the case may be.

3 Physical Settlement

- (a) Subject to Conditions 5, 6 and 8 of these Credit Linked Conditions, where "Physical Settlement" is the applicable Settlement Basis (if "Cash or Physical Settlement" or "Cash or Physical or Auction Settlement" is specified in the applicable Final Terms and Physical Settlement is elected by the Issuer, or if Physical Settlement is specified as the Fallback Settlement Basis and Condition 4 of these Credit Linked Conditions requires that the Issuer redeem the Notes in accordance with this Condition 3), then the Issuer shall, subject as aforesaid, first, on or prior to the Physical Settlement Date, deliver to the Noteholders a Notice of Deliverable Obligation(s) (and may, from time to time, deliver to Noteholders a NODO Amendment Notice, provided such NODO Amendment Notice is delivered on or prior to the relevant Physical Settlement Date) and, secondly, on the Physical Settlement Date redeem:

- (i) if the Credit Event is not a Multiple Exercise Restructuring Credit Event and the Notes are not Linear Basket Credit Linked Notes, each Note in whole by delivery of the Deliverable Obligation Entitlement pursuant to sub-paragraph (b) below (and/or payment of any amounts in connection therewith pursuant to sub-paragraph (b)(iii), (i) and/or (k) below); or
- (ii) if the Credit Event is not a Multiple Exercise Restructuring Credit Event but the Notes are Linear Basket Credit Linked Notes, a portion of the principal amount of each Note equal to the Applicable Proportion determined by reference to the Related Nominal Amount of the Reference Entity in respect of which the Credit Event occurred; or
- (iii) if the Credit Event is a Multiple Exercise Restructuring Credit Event, a portion of the principal amount of each Note equal to the Applicable Proportion determined by reference to the Exercise Amount relating to the relevant Reference Entity and Credit Event.

Delivery of the Deliverable Obligation Entitlement by the Issuer pursuant to sub-paragraphs (b) to (m) below (and/or payment of any amounts in connection therewith pursuant to sub-paragraph (b)(iii), (i) and/or (k) below) shall fully and effectively discharge the Issuer's obligation to redeem the Applicable Proportion of the relevant Note.

- (b) On any redemption of a Note pursuant to sub-paragraph (a) above, subject to Conditions 3(d) to (m), 5 and 8 of these Credit Linked Conditions, the Issuer shall Deliver to each Noteholder on the Physical Settlement Date its Deliverable Obligation Entitlement. The Deliverable Obligation Entitlement in respect of each Note shall be an amount of the Deliverable Obligations determined as follows:
 - (i) where the Deliverable Obligation(s) constitute Borrowed Money, the Deliverable Obligation Entitlement in respect of each Note shall be an amount of the Deliverable Obligations (selected by the Issuer in its sole and absolute discretion and notified to Noteholders in the relevant Notice of Deliverable Obligation(s) (or in a NODO Amendment Notice)) with an aggregate outstanding principal balance (including accrued but unpaid interest (as determined by the Calculation Agent if "Include Accrued Interest" is specified in the applicable Final Terms, but excluding accrued but unpaid interest if "Exclude Accrued Interest" is specified in the applicable Final Terms, and if neither "Include Accrued Interest" nor "Exclude Accrued Interest" is specified in the applicable Final Terms, excluding accrued but unpaid interest) equal to:
 - (A) if the Credit Event is not a Multiple Exercise Restructuring Credit Event and the Notes are not Linear Basket Credit Linked Notes, the applicable Relevant Proportion multiplied by the Aggregate Nominal Amount of the Notes outstanding as at the related Event Determination Date; or
 - (B) if the Credit Event is not a Multiple Exercise Restructuring Credit Event but the Notes are Linear Basket Credit Linked Notes, the applicable Relevant Proportion multiplied by the Related Nominal Amount of the relevant Reference Entity to which the Credit Event relates; or
 - (C) if the Credit Event is a Multiple Exercise Restructuring Credit Event, the applicable Relevant Proportion multiplied by the Exercise Amount in respect of the relevant Reference Entity and Credit Event; or
 - (ii) where the Deliverable Obligation(s) are not Borrowed Money, the Deliverable Obligation Entitlement in respect of each Note shall be an amount of the Deliverable Obligations (selected by the Issuer in its sole and absolute discretion and notified to Noteholders in the

relevant Notice of Physical Settlement (or any NODO Amendment Notice)) with a Due and Payable Amount (or the equivalent Currency Amount of any such amount), equal to:

- (A) if the Credit Event is not a Multiple Exercise Restructuring Credit Event and the Notes are not Linear Basket Credit Linked Notes, the applicable Relevant Proportion multiplied by the Aggregate Nominal Amount of the Notes outstanding as at the related Event Determination Date; or
 - (B) if the Credit Event is not a Multiple Exercise Restructuring Credit Event but the Notes are Linear Basket Credit Linked Notes, the applicable Relevant Proportion multiplied by the Related Nominal Amount of the relevant Reference Entity to which the Credit Event relates; or
 - (C) if the Credit Event is a Multiple Exercise Restructuring Credit Event, the applicable Relevant Proportion multiplied by the Exercise Amount in respect of the relevant Reference Entity and Credit Event.
- (iii) Notwithstanding anything to the contrary in sub-paragraph (b)(i) or (b)(ii) above, the Issuer may elect to Deliver to Noteholders Deliverable Obligations with an outstanding principal balance (including or excluding accrued but unpaid interest, as applicable) or a Due and Payable Amount, as applicable (or the equivalent Currency Amount of any such amount), that is (A) greater than the Deliverable Obligation Entitlement in respect of each Note, or (B) less than the Deliverable Obligation Entitlement in respect of each Note. If the Issuer exercises its election pursuant to (B) of this sub-paragraph (b)(iii) the Issuer shall pay to Noteholders no later than the Business Day following the relevant Latest Permissible Physical Settlement Date an amount in respect of each Note determined by the Calculation Agent equal to the portion of the Deliverable Obligation Entitlement of such Note in respect of which Deliverable Obligations were not delivered.
- (c) If any of Payment, Borrowed Money, Loan or Bond or Loan is specified as the Deliverable Obligation Category and more than one of Assignable Loan, Consent Required Loan and Direct Loan Participation are specified as Deliverable Obligation Characteristics, the Deliverable Obligation(s) may include any Loan that satisfies any one of such Deliverable Obligation Characteristics specified and need not satisfy all such Deliverable Obligation Characteristics.
 - (d) In the event that the Issuer, for any reason whatsoever, is unable to effect Delivery of the Deliverable Obligation Entitlement in respect of the Notes of any Noteholder by the Physical Settlement Date, the Issuer may continue to attempt such Delivery for an additional 60 Business Days after the Physical Settlement Date. Without prejudice to sub-paragraph (h) below, failure by the Issuer to Deliver to a Noteholder the relevant Deliverable Obligation(s) on or prior to the date that is 60 Business Days after the Physical Settlement Date shall not constitute an Event of Default.
 - (e) In order to obtain Delivery of the Deliverable Obligation Entitlement in respect of any Note, the relevant Noteholder must deliver to the Issuer, any Paying Agent or the Registrar within five Business Days of the date of delivery of the Notice of Deliverable Obligation(s) (or any relevant NODO Amendment Notice) (each such date, a "**Cut-Off Date**"), a duly completed Asset Transfer Notice in accordance with Condition 3(f), the form of which may be obtained from the specified office of the Issuer, any Paying Agent or the Registrar, and the related Note Certificate(s). Upon receipt of such Asset Transfer Notice and the related Note Certificate(s) by the Issuer or any Paying Agent (as the case may be), copies thereof shall promptly be provided by the Issuer or such Paying Agent (as the case may be) to the Registrar.
 - (f) An Asset Transfer Notice delivered by a Noteholder in respect of any Note(s) is irrevocable and must:

- (i) specify the name and address of the relevant Noteholder, the account details or name of the person to whom Delivery of the relevant Deliverable Obligation Entitlement in respect of each Note is to be made and any details required for delivery of the relevant Deliverable Obligation Entitlement set out in the applicable Final Terms;
- (ii) specify the Aggregate Nominal Amount of the Notes outstanding which are the subject of such notice;
- (iii) irrevocably instruct and authorise the Registrar to effect the transfer of the relevant Notes, authorise the production of such notice in any applicable administrative or legal proceedings;
- (iv) include an undertaking to pay and specify the manner in which Delivery Expenses and Hedge Unwind Costs, if applicable, will be borne by the Noteholders in accordance with sub-paragraph (l) below; and
- (v) specify an account to which any amount payable or any other cash amounts are to be paid.

Failure properly to complete and deliver an Asset Transfer Notice and to deliver the related Note Certificate(s) may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided in these Credit Linked Conditions shall be made by the Issuer in its sole and absolute discretion and shall be conclusive and binding on the relevant Noteholder.

- (g) After delivery of a valid Asset Transfer Notice, no transfers of Notes specified therein shall be effected by the Registrar.
- (h) Upon receipt of a duly completed Asset Transfer Notice and the Note Certificate(s) to which such notice relates, the Issuer, the relevant Paying Agent and/or the Registrar, as the case may be, shall verify that the person specified therein as the registered holder is the Holder of the Note referred to therein according to the Register.

Subject as provided herein, in relation to each Note, the related Deliverable Obligation Entitlement will be Delivered to the relevant Noteholder or its nominee (as applicable) at the risk of such Noteholder.

If the Asset Transfer Notice and the related Note Certificate(s) are delivered to the Issuer, any Paying Agent or the Registrar later than close of business in London on the relevant Cut-Off Date, then the related Deliverable Obligation Entitlement in respect of the Note Certificate(s) so delivered, as applicable, will be Delivered to the relevant Noteholder as soon as practicable after the date on which Delivery of the same would otherwise be made, at the risk of such Noteholder in the manner provided above. For the avoidance of doubt, such Noteholder shall not be entitled to any payment or to other assets, whether in respect of interest or otherwise, in the event that Delivery of the Deliverable Obligation Entitlement(s) in respect of the Note(s) of such Noteholder takes place after the date on which Delivery of the same would otherwise be made pursuant to the provisions of this sub-paragraph (h) or otherwise due to circumstances beyond the control of the Issuer.

If the relevant Noteholder fails to deliver an Asset Transfer Notice in the manner set out herein or delivers an Asset Transfer Notice on any day falling after the day that is 180 calendar days after the relevant Cut-Off Date or fails to deliver the Note Certificate(s) related thereto or fails to pay the Delivery Expenses and, if applicable, the Hedge Unwind Costs as referred to in sub-paragraph (l) below, the Issuer shall be discharged from its obligations in respect of such Note (or in respect of the partial redemption of such Note, as applicable) and shall have no further obligation or liability whatsoever in respect thereof.

(i)

- (i) If the Issuer determines that due to an event beyond the control of the Issuer it is impossible, impracticable or illegal for the Issuer to Deliver, or a Noteholder determines that due to an event beyond the control of any Noteholder or its designated nominee, it is impossible, impracticable or illegal for such Noteholder or its designated nominee to accept Delivery of all or a portion of the Noteholder's Deliverable Obligation Entitlement by the Physical Settlement Date (including, without limitation, failure of the relevant clearing system or due to any law, regulation or court order, but not including market conditions or failure to obtain any requisite consent with respect to the Delivery of Loans) then by such date the Issuer or the Noteholder, as applicable, shall provide a description in reasonable detail of the facts giving rise to such impossibility, impracticability or illegality and the Issuer shall Deliver and such Noteholder or its designated nominee shall take Delivery of that portion (if any) of the Deliverable Obligations comprising the Deliverable Obligation Entitlement for which it is possible, practicable and legal to take Delivery. As soon as possible thereafter, the Issuer shall Deliver and such Noteholder, its originally designated nominee or any new designated nominee shall take Delivery of the remaining portion of such Deliverable Obligation Entitlement.

(ii) If:

- (A) following the occurrence of any impossibility, impracticability or illegality referred to in sub-paragraph (i) above all of the Deliverable Obligation(s) comprising the Deliverable Obligation Entitlement in respect of any Note are not Delivered on or prior to the relevant Latest Permissible Physical Settlement Date; or
- (B) (I) all or a portion of the Deliverable Obligation(s) comprising the Deliverable Obligation Entitlement in respect of any Note includes Assignable Loans or Consent Required Loans that, due to the non-receipt of any requisite consents, are not, by the relevant Physical Settlement Date, capable of being assigned or novated to the relevant Noteholder(s) or its nominee and such consents are not obtained or deemed given by the relevant Latest Permissible Physical Settlement Date and (II) Direct Loan Participation is not specified as a Deliverable Obligation Characteristic in the applicable Final Terms or Direct Loan Participation is specified as a Deliverable Obligation Characteristic in the applicable Final Terms and the relevant participation is not effected on or before the Latest Permissible Physical Settlement Date; or
- (C) all or a portion of the Deliverable Obligation(s) comprising the Deliverable Obligation Entitlement in respect of any Note includes Direct Loan Participations and the relevant participation is not effected on or before the relevant Latest Permissible Physical Settlement Date,

then Partial Cash Settlement pursuant to sub-paragraph (i)(iii) below shall be deemed to apply in respect of each Note with respect to that portion of the Deliverable Obligation Entitlement comprising (I) Deliverable Obligation(s) that cannot be Delivered for the reasons specified in sub-paragraph (i)(ii)(A) above (the "**Undeliverable Obligations**") or (II) Deliverable Obligation(s) of the type referred to in sub-paragraph (i)(ii)(B) above for which consents are not obtained or deemed to be given such that the Deliverable Obligations cannot be assigned or novated to a Noteholder or its nominee (the "**Undeliverable Loan Obligations**") or (III) Deliverable Obligation(s) of the type referred to in (C) above in respect of which the relevant participation is not effected (the "**Undeliverable Participations**").

- (iii) On the Partial Cash Settlement Date, the Issuer shall pay to each relevant Noteholder in respect of each Note an amount determined by the Calculation Agent equal to the Relevant Proportion multiplied by the Partial Cash Settlement Amount of the relevant Undeliverable Obligation(s), Undeliverable Loan Obligation(s) or Undeliverable Participation(s) comprising the deliverable Obligation Entitlement in respect of the relevant Note which would have been delivered to the Noteholder but for this sub-paragraph (i) and upon discharge by the Issuer of such payment obligation on the Partial Cash Settlement Date, the Issuer's obligations in respect of the redemption of each such Note shall be discharged. For the purposes of this sub-paragraph (i):

"Partial Cash Settlement Amount" means, for each Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation, an amount equal to the Alternative Cash Settlement Amount (based on and determined by the Calculation Agent in its sole discretion, with respect to each Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation: (i) the Final Price calculated in accordance with the Alternative Cash Settlement Specifications specified in the Final Terms; or (ii) if the Calculation Agent determines that there has been an Applicable Auction and an Auction Final Price has been published, such Auction Final Price; or (iii) if no Alternative Cash Settlement Specifications are specified in the applicable Final Terms, the Standard Partial Cash Settlement Specifications) in respect of such Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation; and

"Partial Cash Settlement Date" has the meaning given to it in the applicable Final Terms, or, if such a meaning is not so specified, means the date that is three Business Days after the calculation of the Alternative Cash Settlement Amount in respect of all relevant Undeliverable Obligation(s), Undeliverable Loan Obligation(s) and/or Undeliverable Participation(s).

- (j) If, in accordance with sub-paragraph (g), (h) and (i) above, the Deliverable Obligation(s) comprising the Deliverable Obligation Entitlement in respect of any Note is Delivered to a Noteholder after the relevant Physical Settlement Date, then until Delivery of such Deliverable Obligation(s) is made to the relevant Noteholder, the Issuer or any person holding such assets on behalf of the Issuer shall continue to be the legal owner of those assets. None of the Issuer and any such other person shall (i) be under any obligation to deliver or procure delivery to such Noteholder or any subsequent transferee any letter, certificate, notice, circular or any other document or payment whatsoever received by that person in its capacity as the holder of such assets, (ii) be under any obligation to exercise or procure the exercise of any or all rights (including voting rights) attaching or appertaining to such assets until the date of Delivery or (iii) be under any liability to such Noteholder or subsequent transferee for any loss, liability, damage, cost or expense that such Noteholder or subsequent transferee may sustain or suffer as a result, whether directly or indirectly, of that person not being the legal owner of such assets until the date of Delivery.
- (k) If the aggregate Deliverable Obligation Entitlements to which a Noteholder is entitled is comprised of Deliverable Obligations in an amount less than a multiple of a whole number of the Deliverable Obligation(s) at the relevant time, then (i) the Issuer shall not Deliver and the relevant Noteholder shall not be entitled to receive in respect of its Notes that fraction of any Deliverable Obligation comprised in such Deliverable Obligation Entitlement(s) which is less than a whole number (the **"Fractional Entitlement"**) and (ii) the Issuer shall pay to the relevant Noteholder a cash amount (to be paid at the same time as Delivery of the whole number of Deliverable Obligation(s) comprising the Deliverable Obligation Entitlement(s)) equal to the fair market value (as determined by the Calculation Agent) of such Fractional Entitlement.

- (l) The costs and expenses including any stamp, registration documentation or similar tax and any transfer or similar fee (the "**Delivery Expenses**") of effecting any Delivery of any Deliverable Obligation Entitlement to any Noteholder and, if the applicable Final Terms specify that "Hedge Unwind Adjustment" shall apply, a pro rata share of the Hedge Unwind Costs (if any) shall, be borne by the Noteholder and shall, at the option of each Noteholder as specified in the Asset Transfer Notice either be:
 - (i) paid to the Issuer by such Noteholder prior to the Delivery of any Deliverable Obligation Entitlement to the Noteholder (and, for the avoidance of doubt, the Issuer shall not be required to Deliver any portion of the Deliverable Obligation Entitlement to such Noteholder until it has received such payment); or
 - (ii) deducted by the Issuer from any cash amount which may be payable to such Noteholder under these Credit Linked Conditions to the extent that any such cash amount is equal to or greater than Noteholders pro rata share of the applicable Delivery Expenses and Hedge Unwind Costs.

If there is not a cash amount owing from the Issuer under such Note to a Noteholder sufficient to cover the Delivery Expenses and, if applicable, its pro rata share of the Hedge Unwind Costs, the Issuer may convert such amount of Deliverable Obligations comprised in the relevant Noteholder's Deliverable Obligation Entitlement into cash sufficient to cover the Delivery Expenses and, if applicable, a pro rata share of the Hedge Unwind Costs, in respect of such Note from which the Issuer shall deduct such amounts. Each Note will then be redeemed by delivery of the remaining Deliverable Obligation(s) comprising the Deliverable Obligation Entitlement in respect of such Note and, if applicable, payment of a cash amount in respect of any Fractional Entitlement arising, together with any other amounts to which such Noteholder is entitled upon redemption of such Note.

- (m) The Issuer shall not be under any obligation to register or procure the registration of any Noteholder or any other person as the registered holder of any of the Deliverable Obligation(s) comprised in any Deliverable Obligation Entitlement in the register of members or holders of debt securities of any company whose securities form part of any Deliverable Obligation Entitlement. The Issuer shall not be obliged to account to any Noteholder for any entitlement received or receivable in respect of any of the Deliverable Obligation(s) comprised in any Deliverable Obligation Entitlement if the date on which such are first traded ex such entitlement is on or prior to the date of Delivery. The Issuer shall determine, in its sole and absolute discretion, the date on which such assets are so first traded ex any such entitlement.

4 Auction Settlement

- (a) Subject to Conditions 5, 6 and 8 of these Credit Linked Conditions, where "Auction Settlement" is the applicable Settlement Basis specified in the applicable Final Terms (or if "Cash or Physical or Auction Settlement" in the applicable Final Terms and Auction Settlement is elected by the Issuer) then on the Auction Cash Settlement Date, the Issuer shall, subject as aforesaid, redeem:
 - (i) if the Credit Event is not a Multiple Exercise Restructuring Credit Event and/or the Notes are not Linear Basket Credit Linked Notes, each Note in whole; or
 - (ii) if the Credit Event is not a Multiple Exercise Restructuring Credit Event but the Notes are Linear Basket Credit Linked Notes, a portion of the principal amount of each Note equal to the Applicable Proportion determined by reference to the Related Nominal Amount of the Reference Entity in respect of which the Credit Event occurred; or

- (iii) if the Credit Event is a Multiple Exercise Restructuring Credit Event, a portion of the principal amount of each Note equal to the Applicable Proportion determined by reference to the Exercise Amount specified in the Credit Event Notice relating to the relevant Credit Event.
- (b) On any redemption of a Note pursuant to sub-paragraph (a) above, subject to Conditions 5 and 8 of these Credit Linked Conditions, the Issuer shall redeem the Applicable Proportion of each Note at the Auction Cash Settlement Amount on the Auction Cash Settlement Date. The Auction Cash Settlement Amount in respect of each Note shall be the amount determined by the Calculation Agent to be the greater of:
 - (i) zero; and
 - (ii) an amount equal to:
 - (A) the Auction Final Price; multiplied by
 - (B) an amount equal to the Applicable Proportion multiplied by the outstanding principal amount of such Note,

provided that, if the applicable Final Terms specify that "Hedge Unwind Adjustment" shall apply, then the Auction Cash Settlement Amount in respect of each Note shall be adjusted upwards or downwards to reflect that Note's pro rata share of the Hedge Unwind Costs. For the avoidance of doubt, in no event shall the Auction Cash Settlement Amount be less than zero. Payment by the Issuer of the Auction Cash Settlement Amount shall fully and effectively discharge the Issuer's obligation to redeem the Applicable Proportion of the relevant Note.

- (c) Without prejudice to the foregoing, but without duplication of settlement, if the Calculation Agent determines with respect to a Credit Event and any relevant Applicable Request, Applicable Resolution and/or Applicable Auction, that:
 - (i) an Auction Cancellation Date has occurred;
 - (ii) a No Auction Announcement Date has occurred (and, in circumstances where such No Auction Announcement Date occurs pursuant to sub-paragraph (b) of the definition of "No Auction Announcement Date", the Issuer has not exercised the Movement Option);
 - (iii) ISDA has publicly announced that a relevant Credit Derivatives Determinations Committee has Resolved, following a relevant Credit Event Resolution Request Date, not to determine the matters described in the definitions of Credit Event Resolution Request Date;
 - (iv) an Event Determination Date was determined pursuant to sub-paragraph (a) of the definition of "Event Determination Date" and no relevant Credit Event Resolution Request Date has occurred on or prior to the date falling three Business Days after such Event Determination Date or such lesser or longer period as determined by the Issuer taking into account any hedging transactions entered into by the Issuer in respect of the Notes provided that upon making such determination the Issuer shall promptly give notice thereof to the Noteholders in accordance with Condition 21 of the General Conditions; or
 - (v) an Event Determination Date was determined pursuant to sub-paragraph (b)(ii) of the definition of "Event Determination Date",

then the Issuer shall, subject to the occurrence of a Credit Event on any day during the Observation Period and satisfaction of the Conditions to Settlement on or prior to the Conditions to Settlement End Date, notwithstanding that Auction Settlement is specified as applicable in the relevant Final Terms, redeem each Note in accordance with Condition 2 of these Credit Linked Conditions (if

Cash Settlement is specified in the applicable terms as the Fallback Settlement Basis) or in accordance with Condition 3 of these Credit Linked Conditions (if Physical Settlement is specified in the applicable terms as the Fallback Settlement Basis).

- (d) If "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" or "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified in the applicable Final Terms and the Calculation Agent determines in respect of a Restructuring Credit Event that a No Auction Announcement Date has occurred pursuant to sub-paragraph (b) of the definition of "No Auction Announcement Date", the Issuer may elect, in its sole and absolute discretion, to deliver a Notice to Exercise Movement Option to the Calculation Agent at any time on or prior to the Movement Option Cut-off Date. If a Notice to Exercise Movement Option is so delivered, then, provided the related Event Determination Date is not reversed on or prior to the relevant Auction Cash Settlement Date pursuant to Condition 8 of these Credit Linked Conditions, the Notes shall be redeemed on the Auction Cash Settlement Date at their Auction Cash Settlement Amount, for which purposes the Auction Cash Settlement Date and the Auction Cash Settlement Amount shall be determined by reference to the relevant Parallel Auction identified by the Issuer in the Notice to Exercise Movement Option in accordance with the definition of "Movement Option". If a Notice to Exercise Movement Option is delivered by the Issuer, all references in these Credit Linked Conditions to "Applicable Auction", "Applicable Auction Settlement Terms", "Auction Cancellation Date", "Auction Final Price Determination Date" and "Auction Settlement Date" shall be deemed to be references to the "Parallel Auction", "Parallel Auction Settlement Terms", "Parallel Auction Cancellation Date", "Parallel Auction Final Price Determination Date" and "Parallel Auction Settlement Date" and the terms of these Credit Linked Conditions shall be construed accordingly.

5 Redemption Suspension

If, following the determination of an Event Determination Date in accordance with sub-paragraph (a) of the definition of "Event Determination Date" but prior to the relevant Final Payment Date, Cash Settlement Date, the relevant Physical Settlement Date, a Delivery Date or, to the extent applicable, a Valuation Date, as applicable, the Issuer determines that a Suspension Event has occurred, the timing requirements relating to notices of physical settlement and the timing requirements of Conditions 1, 2 and 3 of these Credit Linked Conditions, as applicable, or any other provision of these Credit Linked Conditions and the Notes that pertains to redemption and settlement, shall be suspended until the Suspension Event Cessation Date. During such suspension period, the Issuer shall not take any action in connection with the redemption and settlement of the Notes. The relevant timing requirements and redemption and settlement provisions, as applicable, that have previously tolled or been suspended shall resume on the Business Day following the relevant Suspension Event Cessation Date with the benefit of the full day notwithstanding when the tolling or suspension began in accordance with this Condition 5. Without prejudice to any amounts payable pursuant to Condition 8 of these Credit Linked Conditions, no additional amounts shall be payable by the Issuer in connection with any such suspension.

6 Interest Payment Postponement

- (a) If an Applicable Request in respect of a Credit Event is made on or prior to any Interest Payment Date in respect of which an Applicable Resolution has not been published, the payment of interest (if any) scheduled to be paid to Noteholders on or about such Interest Payment Date will be suspended. If in connection with such Applicable Request either (i) an Applicable DC Credit Event Announcement is made but the Calculation Agent determines that the Event Determination Date relating thereto is a date falling after such Interest Payment Date, or (ii) an Applicable DC No Credit Event Announcement is made, payment of the suspended interest will be made two Business

Days after the date the Event Determination Date is so determined or the date of Applicable DC No Credit Event Announcement, as applicable. If, in connection with such Applicable Request, an Applicable DC Credit Event Announcement is made and the Calculation Agent determines that the Event Determination Date relating thereto is a date falling on or prior to such Interest Payment Date, no payment of the suspended interest will be made pursuant to Condition 1(a) of these Credit Linked Conditions.

- (b) No additional amount in respect of interest and no adjustment shall be made to the amount of any interest in connection with the delay or postponement of any payment of interest pursuant to sub-paragraph (a) above. For the avoidance of doubt, no interest shall accrue on any Note after the Final Payment Date (unless Condition 8(b) or 9(b) of the General Conditions applies and upon due presentation of a Note for redemption payment of principal is improperly withheld or refused by the Issuer) and, for the purposes of determining that Final Payment Date, provisions of Condition 7 of these Credit Linked Conditions shall not apply. The Issuer shall endeavour to give notice to the Noteholders in accordance with the General Conditions as soon as reasonably practicable should any payment of interest be suspended and/or postponed pursuant to this Condition 6.
- (c) If:
 - (i) an Applicable Request in respect of a Credit Event is made on or prior to any Interest Payment Date in respect of which an Applicable Resolution has not been published;
 - (ii) the payment of interest (if any) scheduled to be paid in respect of each Note on or about such Interest Payment Date has been made;
 - (iii) in connection with such Applicable Request, an Applicable DC Credit Event Announcement is made and the Calculation Agent determines that the Event Determination Date relating thereto is a date falling on or prior to such Interest Payment Date;
 - (iv) the Conditions to Settlement are satisfied on or prior to the Conditions to Settlement End Date;
 - (v) the Calculation Agent determines that the Event Determination Date has not been reversed pursuant to Condition 8 of these Credit Linked Conditions on or prior to the earlier to occur of the relevant Auction Final Price Determination Date, Valuation Date, Physical Settlement Date (or, if earlier, Delivery Date) or the Scheduled Observation End Date, as applicable, subject to Conditions 5, 7 and 8 of these Credit Linked Conditions; and
 - (vi) each Note is due to be redeemed in whole (or, if the relevant Credit Event is a Multiple Exercise Restructuring Credit Event and/or the Notes are Linear Basket Credit Linked Notes, in part) pursuant to Condition 1 of these Credit Linked Conditions,

any amount due in respect of each Note in connection with such redemption, shall be adjusted downwards as follows:

- (A) if the relevant Credit Event is not a Multiple Exercise Restructuring Credit Event and the Notes are not Linear Basket Credit Linked Notes, any Cash Settlement Amount or Deliverable Obligation Entitlement (as applicable) due in respect of each Note shall be reduced (subject to the minimum of zero) by the amount of interest paid in respect of each Note pursuant to sub-paragraph (c)(ii) above;
- (B) if the relevant Credit Event is not a Multiple Exercise Restructuring Credit Event but the Note is a Linear Basket Credit Linked Note, any redemption amount due in respect of each Note in connection with such Credit Event, as determined pursuant to Condition 2(a)(ii) or Condition 3(a)(ii) of these Credit Linked Conditions (as

applicable), shall be reduced (subject to the minimum of zero) by the amount equal to the Applicable Proportion, used in determining such redemption amount, of the amount of interest paid in respect of each Note pursuant to sub-paragraph (c)(ii) above; or

- (C) if the Credit Event is a Multiple Exercise Restructuring Credit Event, any redemption amount due in respect of each Note in connection with such Credit Event, as determined pursuant to Condition 2(a)(iii) or Condition 3(a)(iii) of these Credit Linked Conditions (as applicable), shall be reduced (subject to the minimum of zero) by the amount equal to the Applicable Proportion, used in determining such redemption amount, of the amount of interest paid in respect of each Note pursuant to sub-paragraph (c)(ii) above.
- (d) For the avoidance of doubt, no additional amount in respect of interest and no adjustment shall be made to the amount of any interest paid pursuant to sub-paragraph (c)(ii) above. The Issuer shall endeavour to give notice to the Noteholders in accordance with the General Conditions as soon as reasonably practicable should any amount be withheld from the amounts payable upon redemption of each Note pursuant to sub-paragraph (c) above.

7 Final Payment Date Postponement

- (a) If, on the Scheduled Observation End Date, the Issuer determines that:
 - (i) Repudiation/Moratorium is listed as a Credit Event in the applicable Final Terms, a Potential Repudiation/Moratorium has occurred or may have occurred on or prior to the Scheduled Observation End Date with respect to one or more of the Obligations, the Repudiation/Moratorium Extension Condition has been satisfied and the related Repudiation/Moratorium Evaluation Date has not occurred; and/or
 - (ii) Failure to Pay is listed as a Credit Event in the applicable Final Terms and a Potential Failure to Pay has occurred or may have occurred on or prior to the Scheduled Observation End Date with respect to one or more of the Obligations; and/or
 - (iii) an Applicable Request has been made or may have been made on or prior to such date in respect of which an Applicable Resolution has not been published; and/or
 - (iv) without duplication, a Credit Event may have occurred on or prior to the Scheduled Observation End Date with respect to one or more of the Obligations (such Credit Event, a "Postponement Credit Event"); and

in each case, the Conditions to Settlement in respect of the above have not been satisfied as at the Scheduled Observation End Date (each such event, a "Final Payment Date Postponement Event"), the Issuer shall give notice to the Noteholders in accordance with Condition 21 of the General Conditions as soon as reasonably practicable that redemption of the Notes and the Final Payment Date will be postponed pursuant to the foregoing.

- (b) The payments of any accrued but unpaid interest scheduled to be paid on the Final Payment Date and/or the redemption of the Notes at maturity will not be paid and shall be postponed pursuant to the foregoing. No additional amount in respect of interest shall be payable in connection with the postponement of the redemption of the Notes and the postponement of the Final Payment Date. No interest shall accrue on any Note after the Final Payment Date (unless Condition 8(b) or 9(b) (as applicable) of the General Conditions applies and upon due presentation of a Note for redemption payment of principal is improperly withheld or refused by the Issuer) and, for the purposes of

determining that Final Payment Date, provisions of Condition 7 of these Credit Linked Conditions shall not apply.

(c) In such circumstances:

(i) with respect to a Potential Repudiation/Moratorium:

- (A) if an Event Determination Date occurs on or prior to the last day of the Notice Delivery Period and is not reversed pursuant to Condition 8 of these Credit Linked Conditions, each Note shall be redeemed pursuant to Condition 2, 3 or 4 of these Credit Linked Conditions, as applicable; or
- (B) if the Repudiation/Moratorium Extension Condition is satisfied and an Event Determination Date does not occur on or prior to the final day of the Notice Delivery Period and no other Final Payment Date Postponement Event(s) are outstanding, each Note shall be redeemed at its Final Redemption Amount on the second Business Day following the last day of the Notice Delivery Period;

(ii) with respect to a Potential Failure to Pay:

- (A) if an Event Determination Date occurs on or prior to the last day of the Notice Delivery Period and is not reversed pursuant to Condition 8 of these Credit Linked Conditions, each Note shall be redeemed pursuant to Condition 2, 3 or 4 of these Credit Linked Conditions, as applicable; or
- (B) if Grace Period Extension is specified as applicable in the applicable Final Terms and an Event Determination Date does not occur on or prior to the last day of the Notice Delivery Period and no other Final Payment Date Postponement Event(s) are outstanding, each Note shall be redeemed at its Final Redemption Amount on the second Business Day following the last day of the Notice Delivery Period; and

(iii) with respect to an Applicable Request or a Postponement Credit Event:

- (A) if the Conditions to Settlement are satisfied on or prior to the Conditions to Settlement End Date and the related Event Determination Date is not reversed pursuant to Condition 8 of these Credit Linked Conditions, each Note shall be redeemed pursuant to Condition 2, 3 or 4 of these Credit Linked Conditions, as applicable; or
- (B) if the Conditions to Settlement are not satisfied on or prior to the Conditions to Settlement End Date or the related Event Determination Date is reversed pursuant to Condition 8 of these Credit Linked Conditions, and the Conditions to Settlement have not been satisfied in respect of any other Final Payment Date Postponement Event(s), each Note shall be redeemed at its Final Redemption Amount on the second Business Day following the Conditions to Settlement End Date.

(d) For the purposes of this Condition 7, a Final Payment Postponement Event will be deemed to be outstanding on any date, if the relevant period specified in sub-paragraph (c)(i), (c)(ii) or (c)(iii) above in respect of such Final Payment Postponement Event as the period in which the Conditions to Settlement may occur or in which an Event Determination Date may be reversed pursuant to Condition 8 of these Credit Linked Conditions has not expired.

8 Reversals and adjustments to Event Determination Dates

(a) Notwithstanding anything to the contrary in these Credit Linked Conditions, no Event Determination Date will occur, and any Event Determination Date previously determined with

- respect to an event shall be deemed not to have occurred, if, or to the extent that the Calculation Agent determines that, prior to the relevant Auction Final Price Determination Date in respect of an Applicable Auction, a related Valuation Date, any relevant Physical Settlement Date (or, if earlier, a Delivery Date), or any other relevant date relating to the redemption of the Notes, as applicable, an Applicable DC No Credit Event Announcement occurs with respect to the relevant Reference Entity or Obligation thereof.
- (b) If, following the occurrence of a Credit Event and satisfaction of the Conditions to Settlement in respect of a Reference Entity, the related Event Determination is deemed to have occurred on a date that is earlier than the date originally determined to be the Event Determination Date for the purposes of the Note as a result of the application of the definition of Event Determination Date and/or any Applicable Request or Applicable Resolution then:
 - (i) if the Notes are redeemed pursuant to Condition 2 or 4 of these Credit Linked Conditions, an amount equal to the relevant EDD Adjustment Amount (if any) shall be deducted to the fullest extent possible from the relevant Cash Settlement Amount or Auction Cash Settlement Amount, as applicable; or
 - (ii) if the Notes are redeemed pursuant to Condition 3 of these Credit Linked Conditions, the EDD Adjustment Amount (if any) shall be deemed to be a Delivery Expense for the purposes of Condition 3(l) of these Credit Linked Conditions.
 - (c) Without prejudice to Condition 4(c) of these Credit Linked Conditions, if an Applicable DC No Credit Event Announcement occurs following the determination of an Event Determination Date but prior to the related Auction Final Price Determination Date in respect of an Applicable Auction, a related Valuation Date, any related Physical Settlement Date (or Delivery Date if earlier), or any other relevant date relating to the redemption of the Notes, as applicable, then the Event Determination Date originally determined for the purposes of the Notes shall be deemed not to have occurred (an "**Event Determination Date Reversal**"). The occurrence of an Event Determination Date Reversal shall not prejudice the occurrence or determination of any subsequent Event Determination Date(s) in relation to the relevant Reference Entity (if applicable). Notwithstanding Condition 1(a) of these Credit Linked Conditions, if an Event Determination Date Reversal occurs, each Note shall recommence to accrue interest (in accordance with the General Conditions) from the Interest Payment Date (the "**Interest Recommencement Date**") immediately following the relevant Applicable DC No Credit Event Announcement, and an amount equal to the Additional EDD Interest Amount shall be payable on such Interest Recommencement Date. For the avoidance of doubt, in no circumstances shall interest accrue on any Note on or after the Final Payment Date and, for the purposes of determining that Final Payment Date, provisions of Condition 7 of these Credit Linked Conditions shall not apply.

9 Succession Event

- (a) With respect to any Reference Entity (other than a Sovereign Reference Entity), the Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than 14 calendar days after the legally effective date of the relevant Succession Event), and with effect from the legally effective date of the Succession Event, whether the relevant thresholds set forth in the definition of "Successor" have been met, or which entity qualifies under sub-paragraph (a)(vi) of the definition of "Successor", as applicable, provided that the Calculation Agent will not make such determination if, at such time, either (A) ISDA has publicly announced that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in the definitions of "Successor", in sub-paragraph (a) of the definition of "Succession Event Resolution Request Date" and sub-paragraph (b)(i) of the

- definition of "Succession Event Resolution Request Date" are satisfied in accordance with the Rules (until such time, if any, as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine a Successor) or (B) ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Succession Event for the purposes of the certain credit derivative transactions has occurred, and in each case the Calculation Agent determines that such resolution is an Applicable Resolution. In calculating the percentages used to determine whether the relevant thresholds set forth in the definition of "Successor" have been met, or which entity qualifies under sub-paragraph (a)(vi) of such definition, the Calculation Agent shall use, with respect to each applicable Relevant Obligation included in such calculation, the amount of the liability with respect to such Relevant Obligation listed in the Best Available Information and shall notify the Issuer of such calculation. A copy of the notice of any determination of a Successor shall be given to Noteholders in accordance with Condition 21 of the General Conditions.
- (b) With respect to any Sovereign Reference Entity, the Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the relevant Succession Event (but no earlier than 14 calendar days after the date of the occurrence of the relevant Succession Event), and with effect from the date of the occurrence of the Succession Event, each Sovereign and/or entity, if any, that qualifies under sub-paragraph (b) of the definition of "Successor"; provided that the Calculation Agent will not make such determination if, at such time, either (i) ISDA has publicly announced that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraph (b) of the definition of "Successor" and sub-paragraphs (a) and (b)(i) of the definition of "Succession Event Resolution Request Date" are satisfied in accordance with the Rules (until such time, if any, as ISDA subsequently publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine a Successor) or (ii) ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that no event that constitutes a Succession Event has occurred and the Calculation Agent determines that such Resolution is an Applicable Resolution. A copy of the notice of any determination of a Successor shall be given to Noteholders in accordance with Condition 21 of the General Conditions.
- (c) Where the Notes are Single Name Credit Linked Notes:
- (i) Where a Succession Event has occurred and more than one Successor has been identified in accordance with these Credit Linked Conditions, each such Successor will be deemed to be a Reference Entity for the purposes of the Notes and, to the extent applicable, the Calculation Agent shall apportion any outstanding principal amounts or any other relevant calculation amounts equally in relation to each Successor.
 - (ii) If one or more of the Successors to the Reference Entity have not assumed the Reference Obligation (if any) specified in the applicable Final Terms, the Calculation Agent may select a Substitute Reference Obligation in accordance with the definition of "Substitute Reference Obligation".
 - (iii) Where a Credit Event occurs in respect of a Reference Entity after such a Succession Event, the provisions of the relevant Credit Linked Conditions shall be deemed to apply to the aggregate principal amount of the Notes represented by that Reference Entity only (the "**Partial Principal Amount**") and all the provisions shall be construed accordingly. Each Note shall thereafter be redeemed in part (such redeemed part being equal to the relevant proportion of the Partial Principal Amount).
 - (iv) The Notes shall be deemed to be redeemed pro rata in an amount equal to the Partial Principal Amount only. The Notes in an amount equal to the Aggregate Nominal Amount

less the Partial Principal Amount shall remain outstanding (the "**Remaining Amount**") and interest (if applicable) shall accrue on the Remaining Amount as provided for in the General Conditions and the applicable Final Terms (adjusted in such manner as the Calculation Agent determines to be appropriate).

- (v) The provisions of these Credit Linked Conditions shall apply to any subsequent Credit Event Notices delivered in respect of any of the other Reference Entities that are identified as a result of the Succession Event.
 - (vi) The applicable Final Terms may be amended and restated at such time to reflect the effect of a Succession Event without the consent of the Noteholders and the Noteholders are deemed to agree to this provision by the purchase of the Notes.
- (d) Where the Notes are First-to-Default Credit Linked Notes, N^{th} -to-Default Credit Linked Notes or Linear Basket Credit Linked Notes:
- (i) Where a Succession Event has occurred in respect of a Reference Entity (each such Reference Entity and any Reference Entity previously the subject of a Succession Event, a "Succession Event Reference Entity" and the Reference Entities unaffected by such Succession Event or any previous Succession Event, the "Non-Succession Event Reference Entities") and more than one Successor has been identified by the Calculation Agent, each such Successor will be deemed to be a Reference Entity for the purposes of the Notes (in such respect, each a "Successor Reference Entity") and, to the extent applicable, the Calculation Agent shall apportion any outstanding principal amounts, Related Nominal Amounts or any other relevant calculation amounts, as applicable, equally in relation to each Successor Reference Entity.
 - (ii) Following the occurrence of a Succession Event, satisfaction of the Conditions to Settlement following a Credit Event with respect to any of the Non-Succession Event Reference Entities will cause the Notes, except for Linear Basket Credit Linked Notes, to be redeemed in full in accordance with the provisions of these Credit Linked Conditions; provided that (A) in the case of N^{th} -to-Default Credit Linked Notes, satisfaction of the Conditions to Settlement following a Credit Event with respect to any of the Non-Succession Event Reference Entities will only cause the Notes to be redeemed in full as aforesaid where such Non-Succession Event Reference Entity is the N^{th} Reference Entity with respect to which the Conditions to Settlement have been satisfied, and (B) in the case of Linear Basket Credit Linked Notes, satisfaction of the Conditions to Settlement following a Credit Event with respect to any of the Non-Succession Event Reference Entities will only cause redemption of a portion of the principal amount of each Linear Basket Credit Linked Note equal to the Applicable Proportion determined by reference to the Related Nominal Amount of the relevant Non-Succession Event Reference Entities with respect to which the Conditions to Settlement have been satisfied.
 - (iii) Where a Credit Event occurs in respect of a Successor Reference Entity, the relevant provisions of these Credit Linked Conditions shall be deemed to apply to the principal amount of the Notes or Related Nominal Amount, as applicable, represented by the relevant Successor Reference Entity only (the "**Partial Principal Amount**"); provided that, in the case of N^{th} -to-Default Credit Linked Notes, such Successor Reference Entity is the N^{th} Reference Entity with respect to which the Conditions to Settlement have been satisfied, and all the provisions shall be construed accordingly. Subject as aforesaid, the Notes shall thereafter be redeemed in a proportion equal to the relevant proportion which the Partial Principal Amount forms of the Aggregate Nominal Amount of the Notes as of the Issue Date.

- (iv) Without prejudice to Condition 1(a) of these Credit Linked Conditions, following a partial redemption of the Notes pursuant to sub-paragraph (d)(iii) above, interest shall accrue on the remaining outstanding principal amount of the Notes immediately following the partial redemption as provided for in the General Conditions and these Credit Linked Conditions (adjusted in such manner as the Calculation Agent in its sole and absolute discretion determines to be appropriate).
- (v) The provisions of these Credit Linked Conditions shall apply to any subsequent Credit Event Notices delivered in respect of any other Successor Reference Entities formed as a result of one or more Succession Events and/or any of the Non-Succession Event Reference Entities. For the avoidance of doubt, the provisions of this sub-paragraph (d) shall apply to each Succession Event.
- (vi) Where the effect of the foregoing provisions would be to specify a Reference Entity more than once with respect to the Notes, that Reference Entity shall be deemed to be specified only once.
- (vii) Where any Reference Entity (the "**Surviving Reference Entity**") (other than a Reference Entity that is subject to a Succession Event) would be a Successor to any other Reference Entity (the "**Legacy Reference Entity**") pursuant to a Succession Event through the application of the foregoing provisions, (A) if Fixed Number of Reference Entities is not specified as applicable in the applicable Final Terms, such Surviving Reference Entity shall be deemed a Successor to the Legacy Reference Entity or (B) if Fixed Number of Reference Entities is specified as applicable in the applicable Final Terms, such Surviving Reference Entity shall be deemed a Successor to the Legacy Reference Entity save that the principal amount of the Notes represented by such Reference Entity or Related Nominal Amount of such Reference Entity, as applicable, shall be equal to the principal amount of the Notes represented by the Surviving Reference Entity only or the Related Nominal Amount of such Surviving Reference Entity, as applicable, and the Calculation Agent shall select an additional entity to constitute a Reference Entity in respect of the principal amount of the Notes represented by the Legacy Reference Entity in respect of the related Nominal Amount relating to such Legacy Reference Entity (such entity, an "**Additional Reference Entity**") such that the number of Reference Entities prior to the Succession Event is equal to the number of Reference Entities following the Succession Event. The Additional Reference Entity shall be of the same Transaction Type (as defined in the 2005 Matrix Supplement) with a comparable credit rating as the Legacy Reference Entity, as determined by the Calculation Agent in its sole and absolute discretion. Any such Additional Reference Entity will be deemed to be a Reference Entity for the purposes of the Notes and all references in these Credit Linked Conditions to a "Reference Entity" or "Reference Entities" shall be construed accordingly.
- (viii) If one or more Additional Reference Entities are selected, the Calculation Agent may select a Substitute Reference Obligation in respect of each such Additional Reference Entity in accordance with the definition of "Substitute Reference Obligation".
- (ix) In the event that (A) the Issuer becomes a Successor to any Reference Entity as a result of the application of the foregoing provisions, (B) the Issuer and any Reference Entity become Affiliates or (C) the Issuer or a Reference Entity consolidates or amalgamates with, or merges into, or transfers all or substantially all its assets to, a Reference Entity or the Issuer (as applicable), then the Issuer shall forthwith give notice of such circumstance to Noteholders. In such event, the Issuer may, but shall not be obliged to, on giving not more than 30 nor less than 15 days' notice to Noteholders (the "**Seller Merger Notice**"), redeem

all but not some of the Notes at the Early Redemption Amount specified in the Seller Merger Notice.

- (x) The applicable Final Terms may be amended and restated at such time to reflect the effect of a Succession Event without the consent of the Noteholders and the Noteholders are deemed to agree to this provision by the purchase of the Notes.

10 Restructuring Credit Event

- (a) If (i) Restructuring is specified in the applicable Final Terms as being an applicable Credit Event, (ii) either "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" or "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified in the applicable Final Terms and (iii) a Restructuring Credit Event occurs, then, the Issuer may deliver multiple Credit Event Notices with respect to such Credit Event (a "**Restructuring Credit Event**"), each such Credit Event Notice setting forth the amount of the Aggregate Nominal Amount of the Notes or, if the Notes are Linear Basket Credit Linked Notes, of the Related Nominal Amount in respect of the relevant Reference Entity, as applicable, to which the Credit Event Notice relates (the "**Exercise Amount**"). If the relevant Credit Event Notice does not specify an Exercise Amount, then the Aggregate Nominal Amount of the Notes outstanding immediately prior to the delivery of such Credit Event Notice or, if the Notes are Linear Basket Credit Linked Notes, the Related Nominal Amount outstanding in respect of the relevant Reference Entity immediately prior to the delivery of such Credit Event Notice will be deemed to have been specified as the Exercise Amount. Accordingly, notwithstanding anything to the contrary in these Credit Linked Conditions, where a Restructuring has occurred and the Issuer has delivered a Credit Event Notice for an Exercise Amount that is less than the Aggregate Nominal Amount of the Notes outstanding or the Related Nominal Amount outstanding in respect of the relevant Reference Entity, in each case as at the date immediately prior to the delivery of such Credit Event Notice, as applicable, the provisions of these Credit Linked Conditions shall be deemed to apply to a principal amount of the Notes equal to the Exercise Amount only and all the provisions shall be construed accordingly. Each such Note shall be redeemed in part (such redeemed part being equal to the relevant proportion of the Exercise Amount).
- (b) The Notes shall be deemed to be redeemed pro rata in an amount equal to the Exercise Amount only. The Notes in an amount equal to the Aggregate Nominal Amount or the relevant Related Nominal Amount, as applicable, less the Exercise Amount shall remain outstanding (the "**Outstanding Amount**") and interest (if applicable) shall accrue on the Outstanding Amount as provided for in the General Conditions, these Credit Linked Conditions and the applicable Final Terms (adjusted in such manner as the Calculation Agent determines to be appropriate).
- (c) In respect of any subsequent Credit Event Notices delivered:
 - (i) the Exercise Amount in connection with a Credit Event Notice describing a Credit Event other than a Restructuring Credit Event must be equal to the outstanding principal amount of the Notes or the Related Nominal Amount outstanding in respect of the relevant Reference Entity, as applicable, at such time (and not a portion thereof); and
 - (ii) the Exercise Amount in connection with a Credit Event Notice describing a Restructuring Credit Event must be an amount that is at least 1,000,000 units of the currency (or, if Japanese Yen, 100,000,000 units) in which the Notes are denominated or any integral multiple thereof or the entire outstanding principal amount of the Notes or the Related Nominal Amount outstanding in respect of the relevant Reference Entity, as applicable, at such time.

- (d) For the avoidance of doubt, (i) in the case of a First-to-Default Credit Linked Note, once a Restructuring Credit Event has occurred in respect of a Reference Entity, no further Credit Event Notices may be delivered in respect of any Reference Entity other than the Reference Entity that was the subject of the first occurring Restructuring Credit Event; (ii) in the case of an N^{th} -to-Default Credit Linked Note, if a Restructuring Credit Event has occurred in respect of the N^{th} Reference Entity, no further Credit Event Notices may be delivered in respect of any Reference Entity other than the N^{th} Reference Entity; and (iii) in the case of a Linear Basket Credit Linked Note, the fact that a Restructuring Credit Event has occurred in respect of a Reference Entity shall not preclude delivery of a Credit Event Notice in respect of any other Reference Entity.
- (e) If "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" is specified in the applicable Final Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may only be (i) included in a Deliverable Obligation Entitlement and (ii) specified in the relevant Notice of Deliverable Obligation(s), Notice of Physical Settlement or specified in any NODO Amendment Notice or NOPS Amendment Notice, as applicable, if such Deliverable Obligation (A) is a Fully Transferable Obligation and (B) has a final maturity date not later than the applicable Restructuring Maturity Limitation Date.
- (f) If "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified in the applicable Final Terms and Restructuring is the only Credit Event specified in a Credit Event Notice, then a Deliverable Obligation may only be (i) included in a Deliverable Obligation Entitlement and (ii) specified in the relevant Notice of Deliverable Obligation(s), Notice of Physical Settlement or specified in any NODO Amendment Notice or NOPS Amendment Notice, as applicable, if it (A) is a Conditionally Transferable Obligation and (B) has a final maturity date not later than the applicable Modified Restructuring Maturity Limitation Date.
- (g) For the avoidance of doubt, if Restructuring is specified in the applicable Final Terms as being an applicable Credit Event and neither "Restructuring Maturity Limitation and Fully Transferable Obligation Applicable" nor "Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable" is specified in the applicable Final Terms, the Issuer may not deliver multiple Credit Event Notices with respect to a Restructuring Credit Event. If a Restructuring Credit Event occurs, the Issuer may only deliver a single Credit Event Notice in respect of such Reference Entity and, subject to satisfaction of the Conditions to Settlement and the other provisions of these Credit Linked Conditions, each Note shall be redeemed in full (or, if the Notes are Linear Basket Credit Linked Notes, in part) pursuant to and in accordance with Condition 1(a) of these Credit Linked Conditions.
- (h) If the provisions of this Condition 10 apply in respect of the Notes, on redemption of part of each such Note, the Issuer shall procure that the amount and date of such partial redemption are noted on the Register and New Certificates a new Note Certificate shall be issued to the Holder in respect of the balance of its holding not redeemed, provided that new Note Certificates shall only be issued against surrender of the existing Certificates to the Registrar. Within five business days of the surrender of a Note Certificate in accordance with this sub-paragraph (h), the Registrar will deliver a new Note Certificate in respect of the balance of holding not redeemed to the relevant Holder at its Specified Office or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this sub-paragraph (h), "business day" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar has its Specified Office.

11 The Calculation Agent

- (a) **The Calculation Agent shall be responsible for:**
- (i) determining whether an Event Determination Date has occurred;
 - (ii) determining whether any Auction, Request, DC Resolution and/or Credit Derivatives Auction Settlement Terms constitute an Applicable Auction, Applicable Request, Applicable Resolution or Applicable Credit Derivatives Auction Settlement Terms, as applicable;
 - (iii) determining the identity of any Successor to the Reference Entity;
 - (iv) determining whether an event specified in sub-paragraph (a) of the definition of "Substitute Reference Obligation" has occurred;
 - (v) identifying and determining a Substitute Reference Obligation;
 - (vi) obtaining Quotations (and, if necessary, determining whether such Quotations shall include or exclude accrued but unpaid interest) and determining the Final Price;
 - (vii) converting the Quotation Amount into the relevant Obligation Currency;
 - (viii) determining the Dealers, if any are to be appointed, and substituting Dealers;
 - (ix) determining the Overnight Rate (if necessary);
 - (x) determining the Cash Settlement Amount (if necessary);
 - (xi) determining the Auction Cash Settlement Amount (if necessary);
 - (xii) determining the Partial Cash Settlement Amount (if necessary);
 - (xiii) determining the Additional EDD Interest Amount(s) and/or EDD Adjustment Amount(s) (if necessary); and
 - (xiv) making such other determination(s) and/or calculation(s) required to be made by it under these Credit Linked Conditions.
- (b) The Calculation Agent shall, as soon as practicable after obtaining any Quotation (if applicable), notify the Noteholders in writing of each such Quotation that it receives in connection with the calculation of the Final Price and shall provide to the Noteholders a written computation showing its calculation of the Final Price. In the absence of manifest error, all determinations of the Calculation Agent shall be binding on the Issuer and the Noteholders.
- (c) The Calculation Agent shall, as soon as practicable after the relevant Applicable Credit Derivatives Auction Settlement Terms are published, notify the Issuer that Applicable Credit Derivatives Auction Settlement Terms have been published with respect to a Reference Entity and a Credit Event and make a copy thereof available for inspection by Noteholders at the specified office of the Paying Agents.
- (d) The Calculation Agent shall, as soon as practicable after publication of the Auction Final Price in respect of an Applicable Auction, make available for inspection by Noteholders at the specified office of the Paying Agent a copy of the relevant Applicable Credit Derivatives Auction Settlement Terms and copies of the relevant publication of the Auction Final Price.

12 Deemed Agreement of Noteholders

By subscribing for, purchasing, acquiring or holding Notes each Noteholder shall be deemed to agree that no DC Party and no legal counsel or other third-party professional hired by a DC Party in connection with

such DC Party's performance of its respective duties under the Rules and/or any Credit Derivatives Auction Settlement Terms, as applicable, shall be liable, whether for negligence or otherwise, to such Noteholder for any form of damages, whether direct, indirect, special, consequential or otherwise, that might arise in connection with such DC Party's performance of its duties, or any advice given by legal counsel or any other third-party professional hired by such DC Party in connection with such DC Party's performance of its respective duties, under the Rules and/or any Credit Derivatives Auction Settlement Terms, as applicable, except in the case of fraud or wilful misconduct on the part of such DC Party, legal counsel or other third-party professional, as applicable; provided that, notwithstanding the foregoing, legal counsel or any other third-party professional hired by a DC Party in connection with such DC Party's performance of its duties under the Rules and/or any Credit Derivatives Auction Settlement Terms, as applicable, may still be liable to such DC Party;

13 Modifications to the General Conditions

For the purposes of Credit Linked Notes:

- (a) all references to the "Maturity Date" in the General Conditions shall be construed as references to the "Final Payment Date" as defined in these Credit Linked Conditions, except for the reference to "Maturity Date" in the definition of "Day Count Fraction" under Condition 2(a) of the General Conditions;
- (b) if Interest Period Dates are specified in the applicable Final Terms, then, notwithstanding Condition 8 of the General Conditions, "Regular Period" and "Interest Period" shall mean the period from (and including) an Interest Period Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Period Date. In such circumstances, interest shall accrue on the Notes at the Rate of Interest during the relevant Regular Period or Interest Period (as the case may be) and shall be payable on the Interest Payment Date immediately following such Regular Period or Interest Period (as the case may be);
- (c) references to "Regular Period" in the definition of "Day Count Fraction" in Condition 2(a) of the General Conditions shall be construed as references to "Interest Period" as defined in these Credit Linked Conditions; and
- (d) the Calculation Agent shall determine in its sole and absolute discretion whether any Reference Entity is a Japan Corporate or Japan Sovereign for the purposes of these Credit Linked Conditions.

14 Modifications to Credit Linked Conditions

If the Issuer adheres to any protocol published by ISDA after the Issue Date that sets out alternative settlement or valuation methods in relation to a Reference Entity (a "**Protocol**"), then the Issuer may adjust such terms of these Credit Linked Conditions as it deems appropriate to reflect some or all of the relevant settlement, valuation and other provisions of such Protocol. These may include, without limitation, adjustments in relation to the determination of any Cash Settlement Amount, any Final Price, any Deliverable Obligation Entitlement or determining that Cash Settlement rather than Physical Settlement shall apply and vice versa. Nothing in this Condition 14 should be taken as requiring the Issuer to follow the terms of any Protocol.

15 Definitions

For the purposes of these Credit Linked Conditions, the following words shall have the following meaning:

"2005 Matrix Supplement" means the version of the 2005 Matrix Supplement to the 2003 ISDA Credit Derivatives Definitions as published by ISDA on 7 March 2005 and updated from time to time that is in effect on the Issue Date;

"Accelerated or Matured" means an obligation under which the total amount owed, whether at maturity, by reason of acceleration, upon termination or otherwise (other than amounts in respect of default interest, indemnities, tax gross-ups and other similar amounts), is, or on or prior to the Delivery Date will be, due and payable in full in accordance with the terms of such obligation, or would have been but for, and without regard to, any limitation imposed under any applicable insolvency laws;

"Accreted Amount" means, with respect to an Accreting Obligation, an amount equal to (a) the sum of (i) the original issue price of such obligation and (ii) the portion of the amount payable at maturity that has accreted in accordance with the terms of the obligation (or as otherwise described below), less (b) any cash payments made by the obligor thereunder that, under the terms of such obligation, reduce the amount payable at maturity (unless such cash payments have been accounted for in sub-paragraph (a)(ii) above), in each case calculated as of the earlier of (x) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (y) the Delivery Date or relevant Valuation Date, as the case may be. Such Accreted Amount shall include any accrued and unpaid periodic cash interest payments (as determined by the Calculation Agent) only if "Include Accrued Interest" is specified as being applicable in the relevant Final Terms. If an Accreting Obligation is expressed to accrete pursuant to a straight-line method or if such Obligation's yield to maturity is not specified in, nor implied from, the terms of such Obligation, then, for the purposes of sub-paragraphs (a) and (b) above, the Accreted Amount shall be calculated using a rate equal to the yield to maturity of such Obligation. Such yield shall be determined on a semi-annual bond equivalent basis using the original issue price of such obligation and the amount payable at the scheduled maturity of such obligation, and shall be determined as of the earlier of (x) the date on which any event occurs that has the effect of fixing the amount of a claim in respect of principal and (y) the Delivery Date or relevant Valuation Date, as the case may be. The Accreted Amount shall exclude, in the case of an Exchangeable Obligation, any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities into which such obligation is exchangeable;

"Accreting Obligation" means any obligation (including, without limitation, a Convertible Obligation or an Exchangeable Obligation), the terms of which expressly provide for an amount payable upon acceleration equal to the original issue price (whether or not equal to the face amount thereof) plus an additional amount or amounts (on account of original issue discount or other accruals of interest or principal not payable on a periodic basis) that will or may accrete, whether or not (a) payment of such additional amounts is subject to a contingency or determined by reference to a formula or index, or (b) periodic cash interest is also payable;

"Additional EDD Interest Amount" means an amount in the Specified Currency determined by the Calculation Agent in respect of each Note equal to the sum of:

- (a) each amount of interest that would have been payable in respect of each Note, but for the operation of Conditions 1(a)(i), 6 and 8 of these Credit Linked Conditions and the original determination of the Event Determination Date, on each Interest Payment Date falling after the date originally determined to be the Event Determination Date, to and including the Interest Commencement Date; and
- (b) interest accrued on each such amount on a daily basis at the applicable Overnight Rate as determined by the Calculation Agent for the period from, and including, the Interest Payment Date on which the relevant amount of interest that would have been paid but for the operation of Condition 1(a) of these Credit Linked Conditions and the original determination of the Event Determination Date to, but excluding, the Interest Commencement Date. For the avoidance of doubt, such interest will be compounded on a daily basis;

"Affiliate" means, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common

control with the person. For this purpose "control" of any entity or person means ownership of a majority of the voting power of the entity or person;

"Aggregate Nominal Amount" means on the Issue Date the aggregate nominal amount of the Notes of such Series specified in the applicable Final Terms and on any date thereafter the aggregate nominal amount of the Notes of such Series outstanding on such date (taking into the aggregate nominal amount of the Notes of such Series on the Issue Date and any amortisations, partial redemptions or further issues of the Notes of such Series on or prior to such date);

"Alternative Cash Settlement Amount" means an amount determined by the Calculation Agent as an amount equal to the aggregate of all calculations of, with respect to each Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation in the relevant Portfolio, (a) Final Price or, if available and if determined by the Calculation Agent to be appropriate, the Auction Final Price of such Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation, in accordance with Condition 3(i)(iii) of these Credit Linked Conditions, multiplied by (b) the relevant Outstanding Principal Balance, Due and Payable Amount or Currency Amount, as applicable, of the relevant Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation;

"Applicable Auction" means an Auction which the Calculation Agent determines is relevant to a Credit Event with respect to a Reference Entity and Obligations thereof and which relates to deliverable obligations which would constitute Reference Obligation(s) and/or Deliverable Obligation(s) and/or Valuation Obligation(s), as applicable, under the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, reference entity, obligations and deliverable obligations to which the Auction relates and if the Auction relates to a Restructuring Credit Event, the scheduled maturity date of the Notes and the scheduled termination date of the credit derivatives transactions covered by the Auction and the maturity date of the deliverable obligations to which the Auction relates, and (b) any credit hedging transaction that the Issuer has entered or may enter into in connection with the Notes);

"Applicable Credit Derivatives Auction Settlement Terms" means, with respect to a Reference Entity, a Credit Event and an Applicable Auction, the Credit Derivatives Auction Settlement Terms (if any) which the Calculation Agent determines are relevant to the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, reference entity and obligation(s) and deliverable obligations which are the subject of the relevant Credit Derivatives Auction Settlement Terms and the Credit Events, Reference Entities and Obligations and Deliverable Obligations under the Notes and (b) any credit hedging transaction that the Issuer has entered or may enter into in connection with the Notes);

"Applicable DC Credit Event Announcement" means a DC Credit Event Announcement which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, reference entity and obligation(s) thereof to which such DC Credit Event Announcement relates and the terms of the Notes and (b) any credit hedging transaction that the Issuer has entered or may enter into in connection with the Notes). An Applicable DC Credit Event Announcement will be deemed not to have occurred with respect to the Notes unless (i) the relevant Credit Event Resolution Request Date relating to the DC Credit Event Announcement and the relevant Credit Event was, in the determination of the Calculation Agent, an Applicable Request which occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date) and (ii) the Trade Date occurs on or prior to the Auction Final Price Determination Date, the Auction Cancellation Date or the date that is 21 calendar days following the No Auction Announcement Date, if any, as applicable;

"Applicable DC No Credit Event Announcement" means a DC No Credit Event Announcement which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may

take into account (a) the credit derivatives transaction(s), credit event, reference entity and obligation(s) thereof which are the subject of the DC No Credit Event Announcement and the Credit Events, Reference Entities and Obligations thereof under the Notes and (b) any credit hedging transaction that the Issuer has entered or may enter into in connection with the Notes);

"Applicable Proportion" means, in respect of a redemption of a Note and a Credit Event:

- (a) if the Credit Event is not a Multiple Exercise Restructuring Credit Event and the Note is not a Linear Basket Credit Linked Note, 100 per cent; or
- (b) if the Credit Event is not a Multiple Exercise Restructuring Credit Event but the Note is a Linear Basket Credit Linked Note, an amount (expressed as a percentage) equal to the Related Nominal Amount of the Reference Entity to which the relevant Credit Event relates divided by the Aggregate Nominal Amount of the Notes outstanding as at the related Event Determination Date; or
- (c) if the Credit Event is a Multiple Exercise Restructuring Credit Event, an amount (expressed as a percentage) equal to the Exercise Amount specified in the relevant Credit Event Notice relating to the relevant Reference Entity and Credit Event divided by the Aggregate Nominal Amount of the Notes outstanding as at the related Event Determination Date;

"Applicable Request" means a request that a Credit Derivatives Determinations Committee be convened to Resolve the matters described in the definition of Credit Event Resolution Request Date or Succession Event Resolution Request Date, as applicable, which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, succession event, reference entity and obligation(s) thereof which are the subject of the request and the Credit Events, Reference Entities and Obligations thereof under the Notes and (b) any credit hedging transaction that the Issuer has entered or may enter into in connection with the Notes);

"Applicable Resolution" means a Resolution of a Credit Derivatives Determinations Committee which the Calculation Agent determines is relevant to the Notes (for which purpose the Calculation Agent may take into account (a) the credit derivatives transaction(s), credit event, succession event, reference entity and obligation(s) thereof and any other factor to which the Resolution relates and the terms of the Notes and (b) any hedging transaction that the Issuer has entered or may enter into in connection with the Notes);

"Asset Transfer Notice" means a notice that complies with Condition 3(f) of these Credit Linked Conditions, issued by a Noteholder to the Issuer, in connection with a redemption of any Note wholly or in part by way of Physical Settlement;

"Assignable Loan" means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction or organisation) that are not then a lender or a member of the relevant lending syndicate without the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if a Reference Entity is guaranteeing such Loan) or any agent;

"Auction" means, with respect to a Reference Entity and a Credit Event, unless otherwise specified in the Applicable Credit Derivatives Auction Settlement Terms, an auction pursuant to which an Auction Final Price is to be determined in accordance with an auction procedure set out in the relevant Credit Derivatives Auction Settlement Terms;

"Auction Cancellation Date" means, with respect to an Auction, unless otherwise specified in the relevant Applicable Credit Derivatives Auction Settlement Terms, the date on which such Auction was deemed to have been cancelled as announced by ISDA (and/or the administrators specified in the relevant Credit Derivatives Auction Settlement Terms) on its website or such other date as determined and announced in accordance with the relevant Applicable Credit Derivatives Auction Settlement Terms;

"Auction Cash Settlement Amount" means, in respect of each Note, the amount determined in accordance with Condition 4 of these Credit Linked Conditions;

"Auction Cash Settlement Date" means the fifth Business Day following the Auction Settlement Date determined in accordance with the Applicable Credit Derivatives Auction Settlement Terms;

"Auction Final Price" means, with respect to an Applicable Auction, unless otherwise specified in the relevant Applicable Credit Derivatives Auction Settlement Terms, the price (expressed as a percentage) in respect of the deliverable obligations which would constitute Reference Obligation(s) and/or Deliverable Obligation(s) and/or Valuation Obligation(s) under the Notes determined to be the Auction Final Price in accordance with the relevant Applicable Credit Derivatives Auction Settlement Terms;

"Auction Final Price Determination Date" means, with respect to an Applicable Auction, the day, if any, on which the Auction Final Price is determined or such other date as specified in the relevant Applicable Credit Derivatives Auction Settlement Terms;

"Auction Settlement Date" means the date that is the number of Business Days specified in the relevant Applicable Credit Derivatives Auction Settlement Terms (or, if a number of Business Days is not so specified, five Business Days) immediately following the relevant Auction Final Price Determination Date;

"Average Blended Highest" means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Highest Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date;

"Average Blended Market" means, using values with respect to each Valuation Date determined by the Calculation Agent in accordance with the Blended Market Valuation Method, the unweighted arithmetic mean of the values so determined with respect to each Valuation Date;

"Average Highest" means, with respect to the Valuation Obligation on each Valuation Date, the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent with respect to such Valuation Obligation on each such date;

"Average Market" means, with respect to the Valuation Obligation on each Valuation Date, the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to such Valuation Obligation on each such date;

"Bankruptcy" means, with respect to a Reference Entity, such Reference Entity (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (b) becomes insolvent or is unable to pay its debts or fails or admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debts as they become due; (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (ii) is not dismissed, discharged, stayed or restrained in each case within 30 calendar days of the institution or presentation thereof; (e) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 calendar days thereafter; or (h) causes or is subject to any event

with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in sub-paragraphs (a) to (g) (inclusive) above;

"Basket" means a basket composed of the Reference Entities as specified in the applicable Final Terms;

"Best Available Information" means:

- (a) in the case of a Reference Entity which files information with its primary securities regulator or primary stock exchange that includes unconsolidated, pro forma financial information which assumes that the relevant Succession Event has occurred or which provides such information to its shareholders, creditors or other persons whose approval of the Succession Event is required, that unconsolidated, pro forma financial information and, if provided subsequently to the provision of unconsolidated, pro forma financial information but before the Calculation Agent makes its determination for the purposes of the definition of "Successor", other relevant information that is contained in any written communication provided by the Reference Entity to its primary securities regulator, primary stock exchange, shareholders, creditors or other persons whose approval of the Succession Event is required; or
- (b) in the case of a Reference Entity which does not file with its primary securities regulators or primary stock exchange, and which does not provide to shareholders, creditors or other persons whose approval of the Succession Event is required, the information contemplated in sub-paragraph (a) above, the best publicly available information at the disposal of the Calculation Agent to allow it to make a determination for the purposes of the definition of "Successor",

provided that information which is made available more than 14 calendar days after the legally effective date of the Succession Event shall not constitute Best Available Information;

"Best Currency Rate" means the rate of exchange obtained by the Calculation Agent in its sole discretion (acting in a commercially reasonable manner) equal to the rate of conversion of the currency of the Valuation Obligation into the Specified Currency or vice versa, as applicable in respect of the relevant Series of Notes;

"Blended Highest" means, with respect to each Valuation Obligation on the relevant Valuation Date, the unweighted arithmetic mean of the highest Quotations obtained by the Calculation Agent with respect to each such Valuation Obligation on such date;

"Blended Market" means, with respect to each Valuation Obligation on the relevant Valuation Date, the unweighted arithmetic mean of the Market Values determined by the Calculation Agent with respect to each such Valuation Obligation on such date;

"Bond" means any obligation of a type included in the "Borrowed Money" Obligation Category that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certificated debt security or other debt security and shall not include any other type of Borrowed Money;

"Bond or Loan" means any obligation that is either a Bond or a Loan;

"Borrowed Money" means any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit);

"Cash Settlement Amount" means, in respect of each Note, the amount determined in accordance with Condition 2 of these Credit Linked Conditions;

"Cash Settlement Date" means, subject to Condition 5 of these Credit Linked Conditions, (a) if the Cash Settlement Amount is not specified in the applicable Final Terms, the date that is five Business Days (or

such other number of Business Days specified in the applicable Final Terms) following the calculation of the relevant Final Price or, (b) if the Cash Settlement Amount or the Final Price is specified in the applicable Final Terms, the date that is five Business Days (or such other number of Business Days specified in the applicable Final Terms) following the satisfaction of all Conditions to Settlement relevant to such Credit Event (or, if Cash Settlement is applicable pursuant to the Fallback Settlement Basis in accordance with Condition 4 of these Credit Linked Conditions);

The "**Conditions to Settlement**" shall be deemed to be satisfied in full by the occurrence of an Event Determination Date to the extent that such Event Determination Date is not subsequently reversed pursuant to Condition 8 of these Credit Linked Conditions prior to the Auction Final Price Determination Date, a Valuation Date, the Physical Settlement Date (or, if earlier, a Delivery Date) or the Scheduled Observation End Date, as applicable, unless "**Physical Settlement**" is specified as the Settlement Basis in the applicable Final Terms (or is applicable pursuant to the Fallback Settlement Basis), in which case all of the Conditions to Settlement shall be deemed to be satisfied by the satisfaction of the Notice of Physical Settlement Condition to Settlement on or following the occurrence of an Event Determination Date. For the avoidance of doubt, if an Event Determination Date is subsequently reversed pursuant to Condition 8 of these Credit Linked Conditions prior to the relevant Auction Final Price Determination Date, a Valuation Date, the Physical Settlement Date (or, if earlier, a Delivery Date) or the Scheduled Observation End Date, the Conditions to Settlement shall not be deemed to have been satisfied with respect to the related Credit Event and Reference Entity for the purposes of these Credit Linked Conditions. Where the Notes are First-to-Default Credit Linked Notes, the Conditions to Settlement shall apply solely to one Reference Entity, which shall be the first Reference Entity with respect to which an Event Determination Date occurs. Where the Notes are N^{th} -to-Default Credit Linked Notes, the Conditions to Settlement shall apply solely to the N^{th} Reference Entity with respect to which an Event Determination Date occurs. Where the Notes are Linear Basket Credit Linked Notes, the Conditions to Settlement may be satisfied and an Event Determination Date may occur in respect of each Reference Entity comprised in the Basket, provided that, other than in respect of a Restructuring, the Conditions to Settlement shall apply only once to each such Reference Entity;

"**Conditionally Transferable Obligation**" means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Modified Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds, provided, however, that a Deliverable Obligation other than Bonds will be a Conditionally Transferable Obligation notwithstanding that consent of the Reference Entity or the guarantor, if any, of a Deliverable Obligation other than Bonds (or the consent of the relevant obligor if a Reference Entity is guaranteeing such Deliverable Obligation) or any agent is required for such novation, assignment or transfer so long as the terms of such Deliverable Obligation provide that such consent may not be unreasonably withheld or delayed. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered to be a requirement for consent for the purposes of this definition.

For purposes of determining whether a Deliverable Obligation satisfies the requirements of the definition of Conditionally Transferable Obligation, such determination shall be made as of the Delivery Date for the Deliverable Obligation, taking into account only the terms of the Deliverable Obligation and any related transfer or consent documents which have been obtained by the Issuer;

"**Conditions to Settlement End Date**" means the later of (a) the last day of the period described in subparagraph (a) of the definition of "Event Determination Date", and (b) the last day of the latest of the periods described in the definition of "Notice of Physical Settlement Condition to Settlement", if applicable;

"Consent Required Loan" means a Loan that is capable of being assigned or novated with the consent of the relevant Reference Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if a Reference Entity is guaranteeing such Loan) or any agent;

"Convertible Obligation" means any obligation that is convertible, in whole or in part, into Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation);

"Credit Derivatives Auction Settlement Terms" means any Credit Derivatives Auction Settlement Terms published by ISDA in accordance with the Rules, a form of which will be published by ISDA on its website at www.isda.org (or any successor website thereto) from time to time and may be amended from time to time in accordance with the Rules;

"Credit Derivatives Determinations Committees" means the committees established by ISDA for the purposes of reaching certain DC Resolutions in connection with credit derivative transactions, as more fully described in the Rules;

"Credit Event" means, as determined by the Calculation Agent, the occurrence of any or any combination of Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium or Restructuring, as specified in the applicable Final Terms. If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon (a) any lack or alleged lack of authority or capacity of a Reference Entity to enter into any Obligation or, as applicable, an Underlying Obligor to enter into any Underlying Obligation, (b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation, or, as applicable, any Underlying Obligation however described, (c) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described, or (d) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restriction imposed by any monetary or other authority, however described;

"Credit Event Backstop Date" means:

- (a) for the purposes of any event that constitutes a Credit Event (or, with respect to Repudiation/Moratorium, the event described in sub-paragraph (b)(ii) of the definition thereof) for the purposes of certain credit derivatives transactions, as determined by a DC Resolution, provided such DC Resolution is an Applicable Resolution, the date that is 60 calendar days prior to the Credit Event Resolution Request Date, provided that the Calculation Agent determines that the DC Resolution is an Applicable Resolution and the Credit Event Resolution Request Date relates to an Applicable Request; or
- (b) otherwise, the date that is 75 calendar days prior to the earlier of:
 - (i) the first date on which both the Credit Event Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Issuer to the Calculation Agent and are effective during the Notice Delivery Period; and
 - (ii) in circumstances where (A) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (a) and (b) of the definition of "Credit Event Resolution Request Date" are satisfied in accordance with the Rules in relation to an Applicable Request, (B) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, provided that such Resolution is an Applicable

Resolution and (C) the Credit Event Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Calculation Agent to the Issuer and are effective not more than 14 calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Credit Event Resolution Request Date.

The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention;

"Credit Event Notice" means an irrevocable notice from the Issuer to the Calculation Agent (which the Issuer has the right but not the obligation to deliver) that describes a Credit Event that occurred on or after the Observation Start Date and on or prior to the Extension Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)). A Credit Event Notice will contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is effective. A copy of any Credit Event Notice delivered to the Calculation Agent shall be delivered to Noteholders as soon as reasonably practicable thereafter. In addition, if **"Cash or Physical or Auction Settlement"** or **"Cash or Physical Settlement"** is specified as the Settlement Basis in the applicable Final Terms, the Issuer shall notify Noteholders of its election to redeem the Notes by Cash Settlement or Physical Settlement or Auction Settlement (in case of **"Cash or Physical or Auction Settlement"**) (and the applicable Fallback Settlement Basis) or by Cash Settlement or Physical Settlement (in case of **"Cash or Physical Settlement"**) as soon as reasonably practicable;

"Credit Event Resolution Request Date" means, with respect to a notice to ISDA, delivered in accordance with the Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (a) whether an event that constitutes a credit event for the purposes of certain credit derivative transaction(s) has occurred with respect to a particular reference entity or obligation thereof; and
- (b) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred, the date of the occurrence of such event,

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the first date on which such notice was effective and on which the relevant Credit Derivatives Determinations Committee was in possession, in accordance with the Rules, of publicly available information with respect to the DC Resolutions referred to in sub-paragraphs (a) and (b) above;

"Currency Amount" means, with respect to a Deliverable Obligation denominated in a currency other than the Specified Currency and is specified in these Credit Linked Conditions to be determined by reference to a Currency Amount, such amount converted to the relevant Specified Currency by the Calculation Agent using the Best Currency Rate;

"Cut-Off Date" shall have the meaning specified in Condition 3(e) of these Credit Linked Conditions;

"DC Credit Event Announcement" means, with respect to a Reference Entity, a public announcement by ISDA that the relevant Credit Derivatives Determinations Committee has Resolved that (a) an event that constitutes a credit event for purposes of certain credit derivative transactions has occurred with respect to such Reference Entity (or an Obligation thereof) and (b) the Calculation Agent determines that such event occurred on or after the relevant Credit Event Backstop Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) and on or prior to the Extension Date (determined by

reference to Greenwich Mean Time (or, if the relevant Reference Entity is Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time));

"DC No Credit Event Announcement" means, with respect to a Reference Entity, a public announcement by ISDA that the relevant Credit Derivatives Determinations Committee has Resolved, following a Credit Event Resolution Request Date, that the event that is the subject of the notice to ISDA resulting in the occurrence of such Credit Event Resolution Request Date does not constitute a credit event for purposes of the certain credit derivatives transactions with respect to such Reference Entity (or an obligation thereof);

"DC Party" has the meaning given to that term in the Rules;

"DC Resolution" has the meaning given to that term in the definition of "Resolve" below;

"Dealer" means a dealer (other than the Issuer or any Affiliate of the Issuer) in obligations of the type of Obligation(s) for which Quotations are to be obtained, as selected by the Calculation Agent;

"Default Requirement" means the amount as may be specified as such in the applicable Final Terms or its equivalent in the Obligation Currency or, if a Default Requirement is not so specified in the applicable Final Terms, U.S.\$10,000,000 or its equivalent in the Obligation Currency, in each case as of the occurrence of the relevant Credit Event;

"Deliver" means, with respect to Deliverable Obligations comprised in any Deliverable Obligation Entitlement, to deliver, novate, transfer (including, in the case of a Qualifying Guarantee, transfer of the benefit of the Qualifying Guarantee), assign or sell, as appropriate, in the manner customary for the settlement of such Deliverable Obligation(s) (which shall include executing all necessary documentation and taking any other necessary actions), in order to convey all right, title and interest in such Deliverable Obligation(s) to the relevant Noteholder free and clear of any and all liens, charges, claims or encumbrances (including, without limitation, any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in sub-paragraphs (a) to (d) inclusive of the definition of "Credit Event" above) or right of set-off by or of the Reference Entity or, as applicable, an Underlying Obligor); provided that (a) to the extent that the Deliverable Obligation Entitlement contains Deliverable Obligation(s) that are Direct Loan Participations, **"Deliver"** shall mean the creation (or procurement of the creation) of a participation in favour of the relevant Noteholder and (b) to the extent that the Deliverable Obligation Entitlement contains Deliverable Obligation(s) that are Qualifying Guarantees, **"Deliver"** shall mean to Deliver both the Qualifying Guarantee and the Underlying Obligation. **"Delivery"** and **"Delivered"** shall be construed accordingly;

"Deliverable Obligation" means, subject to Condition 10(e) and 10(f) of these Credit Linked Conditions:

- (a) any obligation of a Reference Entity (either directly or as a provider of a Qualifying Affiliate Guarantee or, if **"All Guarantees"** is specified to apply in the applicable Final Terms, as provider of any Qualifying Guarantee) described by the Deliverable Obligation Category specified in the applicable Final Terms (but excluding any Excluded Deliverable Obligation) and, subject to Condition 3 of these Credit Linked Conditions, having one or more of the Deliverable Obligation Characteristics specified in the applicable Final Terms that (i) is payable in an amount equal to its outstanding principal balance or Due and Payable Amount, as applicable, and (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in sub-paragraphs (a) to (d) of the definition of "Credit Event" above) or right of set-off by or of a Reference Entity or any applicable Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Delivery Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the outstanding principal balance or Due and Payable Amount being Delivered apart from the giving of any notice of non-payment or similar procedural requirement, it

being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement;

- (b) subject to sub-paragraph (b) in the definition of "Not Contingent", each Reference Obligation, unless specified in the applicable Final Terms as an Excluded Deliverable Obligation;
- (c) solely in relation to a Restructuring Credit Event applicable to a Sovereign Reference Entity, any Sovereign Restructured Deliverable Obligation (but excluding any Excluded Deliverable Obligation) that (i) is payable in an amount equal to its Outstanding Principal Balance or Due and Payable Amount, as applicable, (ii) is not subject to any counterclaim, defence (other than as set out in the definition of "Credit Event") or right of set off by or of a Reference Entity or, as applicable, an Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Delivery Date, of immediate assertion or demand by or on behalf of the holder or holders against the Reference Entity for an amount at least equal to the Outstanding Principal Balance or Due and Payable Amount apart from the giving of any notice of non-payment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement; and
- (d) any other obligation of a Reference Entity specified as such in the applicable Final Terms;

"Deliverable Obligation Category" means one of Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan, as specified in the applicable Final Terms (each as defined herein, except that, for the purpose of determining Deliverable Obligation(s), the definition of Reference Obligations Only shall be amended to state that no Deliverable Obligation Characteristics shall be applicable to Reference Obligations Only);

"Deliverable Obligation Characteristics" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer, as specified in the applicable Final Terms, provided that, if (a) either of the Deliverable Obligation Characteristics **"Listed"** or **"Not Bearer"** is specified in the applicable Final Terms, the Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Bonds and shall only be relevant if Bonds are covered by the selected Deliverable Obligation Category; (b) the Deliverable Obligation Characteristic **"Transferable"** is specified in the applicable Final Terms, the Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Deliverable Obligations that are not Loans (and shall only be relevant to the extent that obligations other than Loans are covered by the selected Deliverable Obligation Category); or (c) any of the Deliverable Obligation Characteristics **"Assignable Loan"**, **"Consent Required Loan"** or **"Direct Loan Participation"** is specified in the applicable Final Terms, the Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Loans and shall only be relevant if Loans are covered by the selected Deliverable Obligation Category;

"Deliverable Obligation Entitlement" means, in respect of a Note, the amount of Deliverable Obligations in respect of such Note Deliverable to the relevant Noteholder, as determined in accordance with Condition 3 of these Credit Linked Conditions;

"Delivery Date" means, with respect to any Deliverable Obligation comprising any Deliverable Obligation Entitlement, the date such Deliverable Obligation is Delivered;

"Delivery Expenses" shall have the meaning specified in Condition 3(l) of these Credit Linked Conditions;

"Direct Loan Participation" means a Loan in respect of which, pursuant to a participation agreement, the Issuer is capable of creating, or procuring the creation of a contractual right in favour of the Noteholder that provides such Noteholder with recourse to the participation seller for a specified share in any payments due under the relevant Loan which are received by such participation seller, any such agreement to be entered into between such Noteholder and either (a) the Issuer (to the extent the Issuer is then a lender or a member of the relevant lending syndicate) or (b) a Qualifying Participation Seller (if any) (to the extent such Qualifying Participation Seller is then a lender or a member of the relevant lending syndicate);

"Domestic Currency" means the currency specified as such in the applicable Final Terms and any successor currency. If no currency is so specified, the Domestic Currency shall be the lawful currency and any successor currency of (a) the relevant Reference Entity, if the Reference Entity is a Sovereign, or (b) the jurisdiction in which the relevant Reference Entity is organised, if the relevant Reference Entity is not a Sovereign. In no event shall Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro (or any successor currency to any such currency);

"Downstream Affiliate" means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than 50 per cent owned, directly or indirectly, by the Reference Entity;

"Due and Payable Amount" means the amount that is due and payable under (and in accordance with the terms of) a Deliverable Obligation on the Delivery Date, whether by reason of acceleration, maturity, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts);

"EDD Adjustment Amount" means an amount in the Specified Currency determined by the Calculation Agent in respect of each Note equal to the sum of:

- (a) each amount of interest in respect of each Note that would not have been paid (if any) on any Interest Payment Date to Noteholders had the earlier Event Determination Date been the date originally determined as the Event Determination Date; and
- (b) interest accrued on each such amount on a daily basis at the applicable Overnight Rate as determined by the Calculation Agent for the period from, and including, the Interest Payment Date on which the relevant interest amount was paid to, but excluding, the date on which the Notes are redeemed. For the avoidance of doubt, such interest will be compounded on a daily basis;

"Eligible Transferee" means:

- (a) any:
 - (i) bank or other financial institution;
 - (ii) insurance or reinsurance company;
 - (iii) mutual fund, unit trust or similar collective investment vehicle (other than an entity specified in sub-paragraph (c)(i) below); and
 - (iv) registered or licensed broker or dealer (other than a natural person or proprietorship),
provided, however, in each case, that such entity has total assets of at least U.S.\$500,000,000;
- (b) an Affiliate of an entity specified in sub-paragraph (a) above;
- (c) each of a corporation, partnership, proprietorship, organisation, trust or other entity:
 - (i) that is an investment vehicle (including, without limitation, any hedge fund, issuer of collateralised debt obligations, commercial paper conduit or other special-purpose vehicle)

that (A) has total assets of at least US\$ 100,000,000 or (B) is one of a group of investment vehicles under common control or management having, in the aggregate, total assets of at least U.S.\$ 100,000,000;

- (ii) that has total assets of at least U.S.\$ 500,000,000; or
 - (iii) the obligations of which under an agreement, contract or transaction are guaranteed or otherwise supported by a letter of credit or keepwell, support or other agreement by an entity described in sub-paragraph (a), (b), (c)(ii) above and sub-paragraph (d) below; and or
- (d) a Sovereign, Sovereign Agency or Supranational Organisation;

"Enabling Obligation" means an outstanding Deliverable Obligation that (a) is a Fully Transferable Obligation or a Conditionally Transferable Obligation, as applicable, and (b) has a final maturity date occurring on or prior to the Scheduled Observation End Date and following the Limitation Date immediately preceding the Scheduled Observation End Date (or, in circumstances where the Scheduled Observation End Date occurs prior to the 2.5-year Limitation Date, following the final maturity date of the Latest Maturity Restructured Bond or Loan, if any);

"Equity Securities" means (a) in the case of a Convertible Obligation, equity securities (including options and warrants) of the issuer of such obligation or depositary receipts representing those equity securities of the issuer of such obligation together with any other property to be distributed to or made available to holders of those equity securities from time to time, and (b) in the case of an Exchangeable Obligation, equity securities (including options and warrants) of a person other than the issuer of such obligation or depositary receipts representing those equity securities of a person other than the issuer of such obligation together with any other property to be distributed to or made available to holders of those equity securities from time to time;

"Event Determination Date" means, with respect to a Credit Event:

- (a) subject to sub-paragraph (b) below, if neither an Applicable DC Credit Event Announcement nor an Applicable DC No Credit Event Announcement has occurred, the first date on which the Calculation Agent determines that both the Credit Event Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, the Notice of Publicly Available Information are delivered by the Issuer to the Calculation Agent and are effective during either:
 - (i) the Notice Delivery Period; or
 - (ii) the period (A) from, and including, the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in sub-paragraphs (a) and (b) of the definition of "Credit Event Resolution Request Date" and the Calculation Agent determines that such Resolution constitutes an Applicable Resolution and (B) to, and including, the date that is 14 calendar days thereafter (provided that the relevant Credit Event Resolution Request Date in respect of an Applicable Request occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)); or
- (b) notwithstanding sub-paragraph (a) above, if an Applicable DC Credit Event Announcement has occurred as determined by the Calculation Agent, either:
 - (i) the Credit Event Resolution Request Date (in respect of the relevant Applicable Request as determined by the Calculation Agent), if either:
 - (A) each of the following applies:

- (I) **"Event Determination Date Version A"** is specified in the applicable Final Terms;
- (II) the relevant Credit Event is not a Restructuring; and
- (III) either:
 - (y) if **"Auction Settlement"** is specified as the Settlement Basis in the applicable Final Terms (or **"Cash or Physical or Auction Settlement"** is specified as the Settlement Basis in the applicable Final Terms and Auction Settlement is elected by the Issuer), the Trade Date occurs on or prior to the Auction Final Price Determination Date in respect of an Applicable Auction, the Auction Cancellation Date in respect of an Applicable Auction, or the date that is 21 calendar days following the No Auction Announcement Date and the Credit Event Resolution Request Date occurs on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date); and ISDA publicly announces (including prior to the Trade Date) that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Credit Event, other than a Restructuring, has occurred with respect to the relevant Reference Entity or Reference Obligation and that such event has occurred on or after the applicable Credit Event Backstop Date and the Calculation Agent determines that such announcement is an Applicable Resolution, if any, as applicable; or
 - (z) if **"Auction Settlement"** is not specified as the Settlement Basis in the applicable Final Terms (or **"Cash or Physical or Auction Settlement"** is specified as the Settlement Basis in the applicable Final Terms and Auction Settlement is not elected by the Issuer), the Trade Date occurs on or prior to the relevant Applicable DC Credit Event Announcement; or
- (B) each of the following applies:
 - (IV) either (y) **"Event Determination Date Version B"** is specified in the applicable Final Terms or (z) the relevant Credit Event is a Restructuring; and
 - (V) the Credit Event Notice is delivered by the Issuer to the Calculation Agent and is effective on or prior to the relevant Exercise Cut-off Date; or
- (ii) the first date on which the Credit Event Notice is delivered by the Issuer to the Calculation Agent and is effective during the Notice Delivery Period or the period from, and including, the date on which ISDA publicly announces the occurrence of the relevant Applicable DC Credit Event Announcement to, and including, the date that is 14 calendar days thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date) and is an Applicable Request as determined by the Calculation Agent), if either:
 - (A) each of the following applies:
 - (I) **"Event Determination Date Version A"** is specified in the applicable Final Terms;
 - (II) the relevant Credit Event is not a Restructuring;
 - (III) **"Auction Settlement"** is not specified as the Settlement Basis in the applicable Final Terms (or **"Cash or Physical or Auction Settlement"** is

specified as the Settlement Basis in the applicable Final Terms and Auction Settlement is not elected by the Issuer); and

(IV) the Trade Date occurs following the relevant Applicable DC Credit Event Announcement; or

(B) each of the following applies:

(I) **"Event Determination Date Version B"** is specified in the applicable Final Terms; and

(II) either (y) **"Auction Settlement"** is not specified as the Settlement Basis in the applicable Final Terms (or **"Cash or Physical or Auction Settlement"** is specified as the Settlement Basis in the applicable Final Terms and Auction Settlement is not elected by the Issuer); or (z) if **"Auction Settlement"** is specified as the Settlement Basis in the applicable Final Terms (or **"Cash or Physical or Auction Settlement"** is specified as the Settlement Basis in the applicable Final Terms and Auction Settlement is elected by the Issuer), the Credit Event Notice is delivered by the Issuer to the Calculation Agent and is effective on a date that is later than the relevant Exercise Cut-off Date,

provided that, in the case of this sub-paragraph (b):

- (1) no Physical Settlement Date, if applicable, or Cash Settlement Date, Auction Cash Settlement Date or Final Payment Date has occurred on or prior to the date on which the Applicable DC Credit Event Announcement occurs;
- (2) if any Valuation Date or Delivery Date, as applicable, has occurred as of the date on which the Applicable DC Credit Event Announcement occurs, an Event Determination Date shall be deemed to have occurred only with respect to the portion of the Aggregate Nominal Amount of the Notes outstanding or the Related Nominal Amount outstanding in respect of the Reference Entity to which such Event Determination Date relates, if any, with respect to which no Valuation Date or Delivery Date, as applicable, has occurred; and
- (3) no Credit Event Notice specifying a Restructuring as the only Credit Event has previously been delivered by the Issuer to the Calculation Agent, (aa) unless the Restructuring specified in such Credit Event Notice is also the subject of the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date or (bb) unless, and to the extent that, the Exercise Amount specified in any such Credit Event Notice was less than the Aggregate Nominal Amount of the Notes then outstanding (or, in the case of Linear Basket Credit Linked Notes, the Related Nominal Amount then outstanding in respect of the relevant Reference Entity).

"Exchangeable Obligation" means any obligation that is exchangeable, in whole or in part, for Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation);

"Excluded Deliverable Obligation" means any obligation identified as such in the applicable Final Terms;

"Excluded Obligation" means any obligation identified as such in the applicable Final Terms;

"Exercise Amount" has the meaning set out in Condition 10(a) of these Credit Linked Conditions;

"Exercise Cut-off Date" means, with respect to a Credit Event:

- (a) if such Credit Event is not a Restructuring (or if such Credit Event is a Restructuring, neither **"Restructuring Maturity Limitation and Fully Transferable Obligation Applicable"** nor **"Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable"** is specified in the applicable Final Terms), either:
 - (i) the Relevant City Business Day prior to the Auction Final Price Determination Date in respect of an Applicable Auction, if any;
 - (ii) the Relevant City Business Day prior to the Auction Cancellation Date, if any; or
 - (iii) the date that is 21 calendar days following the No Auction Announcement Date, if any, as applicable; or
- (b) if such Credit Event is a Restructuring and either **"Restructuring Maturity Limitation and Fully Transferable Obligation Applicable"** or **"Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable"** is specified in the applicable Final Terms and:
 - (i) the relevant Credit Derivatives Determinations Committee has Resolved that Applicable Credit Derivatives Auction Settlement Terms and/or Parallel Auction Settlement Terms may be published, the date that is seven Relevant City Business Days following the date on which ISDA publishes the Final List applicable to such Credit Derivatives Auction Settlement Terms in accordance with the Rules, provided that the Calculation Agent determines that such Resolution and Credit Derivatives Auction Settlement Terms constitute an Applicable Resolution and Applicable Credit Derivatives Auction Settlement Terms, as applicable; or
 - (ii) a No Auction Announcement Date occurs pursuant to sub-paragraph (a) of the definition of "No Auction Announcement Date", the date that is 21 calendar days following such No Auction Announcement Date;

"Extension Date" means, the latest to occur of:

- (a) the Scheduled Observation End Date;
- (b) the Grace Period Extension Date if:
 - (i) Grace Period Extension is specified as applicable in the applicable Final Terms;
 - (ii) the Credit Event that is the subject of the Credit Event Notice or the notice to ISDA resulting in the occurrence of a Credit Event Resolution Request Date, as applicable, is a Failure to Pay Credit Event that occurs after the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)); and
 - (iii) the Potential Failure to Pay with respect to such Failure to Pay occurs on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)); and
- (c) the Repudiation/Moratorium Evaluation Date if:
 - (i) the Credit Event that is the subject of the Credit Event Notice or the notice to ISDA resulting in the occurrence of a Credit Event Resolution Request Date, as applicable, is a Repudiation/Moratorium for which the event described in sub-paragraph (b) of the definition

of "Repudiation/Moratorium" occurs after the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time));

- (ii) the Potential Repudiation/Moratorium with respect to such Repudiation/Moratorium occurs on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)); and
- (iii) the Repudiation/Moratorium Extension Condition is satisfied;

"Failure to Pay" means, after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations in accordance with the terms of such Obligations at the time of such failure;

"Fallback Settlement Basis" means, with respect to Notes for which **"Auction Settlement"** is specified as the Settlement Basis in the applicable Final Terms (or if **"Cash or Physical or Auction Settlement"** is specified as the Settlement Basis in the applicable Final Terms and Auction Settlement is elected by the Issuer), the Fallback Settlement Basis specified in such Final Terms or, if no Fallback Settlement Basis is so specified, the Fallback Settlement Basis shall be deemed to be **"Cash Settlement"**;

"Final List" has the meaning given to that term in the Rules;

"Final Payment Date" means, subject to postponement pursuant to Condition 7 of these Credit Linked Conditions, the date as specified in the applicable Final Terms, provided that, if no date is so specified, the Final Payment Date shall be the date that is two Business Days after the Scheduled Observation End Date;

"Final Price" means, with respect to any Valuation Obligation, the price of the Valuation Obligation, expressed as a percentage, determined by the Calculation Agent as of the Valuation Date in accordance with the Valuation Method specified in the applicable Final Terms;

"First-to-Default Credit Linked Notes" means any Series of Notes in respect of which the Issuer purchases credit protection from Noteholders in respect of two or more Reference Entities and pursuant to which, upon the occurrence of a Credit Event and satisfaction of the Conditions to Settlement with respect to any of such Reference Entities, the Notes will be redeemed in accordance with the relevant Settlement Basis;

"Fractional Entitlement" shall have the meaning specified in Condition 3(k) of these Credit Linked Conditions;

"Full Quotation" means, in accordance with the Quotation Method, each firm quotation obtained from a Dealer at the Valuation Time, to the extent reasonably practicable, for an amount of the Valuation Obligation(s) with an aggregate outstanding principal balance equal to the Quotation Amount;

"Fully Transferable Obligation" means a Deliverable Obligation that is either Transferable, in the case of Bonds, or capable of being assigned or novated to all Eligible Transferees without the consent of any person being required, in the case of any Deliverable Obligation other than Bonds. Any requirement that notification of novation, assignment or transfer of a Deliverable Obligation be provided to a trustee, fiscal agent, administrative agent, clearing agent or paying agent for a Deliverable Obligation shall not be considered to be a requirement for consent for purposes of this definition. For the purposes of determining whether a Deliverable Obligation satisfies the requirements of the definition of "Fully Transferable Obligation", such determination shall be made as of the Delivery Date for the Deliverable Obligation,

taking into account only the terms of the Deliverable Obligation and any related transfer or consent documents which have been obtained by Issuer;

"Governmental Authority" means any *de facto* or *de jure* government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of a Reference Entity or of the jurisdiction of incorporation, registration or organisation of a Reference Entity;

"Grace Period" means:

- (a) subject to sub-paragraphs (b) and (c) below, the applicable grace period with respect to payments under the relevant Obligation under the terms of such Obligation in effect as of the date as of which such Obligation is issued or incurred;
- (b) if **"Grace Period Extension"** is specified in the applicable Final Terms as applicable, a Potential Failure to Pay has occurred on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), the Grace Period shall be deemed to be the lesser of such grace period and the number of days specified as such in the applicable Final Terms or, if a number of days is not so specified, 30 calendar days; and
- (c) if, as of the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; provided that, unless **"Grace Period Extension"** is specified as applicable in the applicable Final Terms, such deemed Grace Period shall expire no later than the Scheduled Observation End;

"Grace Period Business Day" means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation and, if a place or places are not so specified, in the jurisdiction of the Obligation Currency;

"Grace Period Extension Date" means if (a) **"Grace Period Extension"** is specified as applying in the applicable Final Terms and (b) a Potential Failure to Pay occurs on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), the date that is five Business Days following the day falling after the number of days in the Grace Period after the date of such Potential Failure to Pay;

"Grace Period Extension Notice" means an irrevocable notice from the Issuer to the Noteholders that describes a Potential Failure to Pay that occurred on or after the Observation Start Date and on or prior to the Scheduled Observation End Date. A Grace Period Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Failure to Pay has occurred and indicate that date of the occurrence. A Grace Period Extension Notice shall be subject to the requirements regarding notices contained in Condition 21 of the General Conditions;

"Hedge Unwind Costs" means, (a) if **"Hedge Unwind Adjustment"** is specified as applying in the applicable Final Terms, the sum of all costs, expenses (including loss of funding), taxes and duties incurred

by (or on behalf of) the Issuer in connection with the redemption of the Notes and the termination, settlement and re-establishment of any related Hedging Arrangement following the occurrence of a Credit Event; or (b) if "**Hedge Unwind Adjustment**" is not specified as applying in the applicable Final Terms, zero;

"**Hedging Arrangement**" means any hedging arrangements entered into by the Issuer and/or its affiliates at any time with respect to the Notes, including, without limitation, the entry into of any transaction(s) and/or the purchase and/or sale of any Reference Obligation or Deliverable Obligation and any associated foreign exchange transactions;

"**Highest**" means, with respect to the Valuation Obligation on the relevant Valuation Date, the highest Quotation obtained by the Calculation Agent with respect to such Valuation Obligation on such date;

"**Interest Period Date**" means each date specified as such in the applicable Final Terms, provided that, if no dates are so specified, the Interest Period Dates shall be each Interest Payment Date;

"**Interest Recommencement Date**" shall have the meaning specified in Condition 8 of these Credit Linked Conditions;

"**ISDA**" means International Swaps and Derivatives Association, Inc. or any successor thereto as determined by the Calculation Agent;

"**Latest Permissible Physical Settlement Date**" means the date that, in respect of Condition 3(b)(iii) and 3(i)(ii)(A) of these Credit Linked Conditions, is 30 calendar days after the relevant Physical Settlement Date and, in respect of Conditions 3(i)(ii)(B) and 3(i)(ii)(C) of these Credit Linked Conditions, the date that is 15th Business Days after the relevant Physical Settlement Date;

"**Limitation Date**" means the first of 20 March, 20 June, 20 September or 20 December in any year to occur on or immediately following the date that is one of the following numbers of years after the Restructuring Date: 2.5 years (the "**2.5-year Limitation Date**"), 5 years (the "**5-year Limitation Date**"), 7.5 years, 10 years, 12.5 years, 15 years, or 20 years (the "**20-year Limitation Date**"), as applicable. Limitation Dates shall not be subject to adjustment in accordance with any Business Day Convention;

"**Linear Basket Credit Linked Notes**" means Notes which are specified as such in the applicable Final Terms, in respect of which the Issuer purchases credit protection from Noteholders in respect of two or more Reference Entities and pursuant to which, on each occasion on which a Credit Event occurs and the Conditions to Settlement are satisfied with respect to any of the Reference Entities, the Notes will be redeemed in part in an amount determined by reference to the Related Nominal Amount relating to such Reference Entity in accordance with the relevant Settlement Basis;

"**Listed**" means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange;

"**Loan**" means any obligation of a type included in the "**Borrowed Money**" Obligation Category that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of Borrowed Money;

"**Market**" means, with respect to the Valuation Obligation on the relevant Valuation Date, the Market Value determined by the Calculation Agent with respect to such Valuation Obligation on such date;

"**Market Value**" means, with respect to a Valuation Obligation on a Valuation Date, (a) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the highest and lowest values (and, if more than one such Full Quotations have the same highest or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (b) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (c) if exactly two Full Quotations are

obtained, the arithmetic mean of such Full Quotations; (d) if fewer than two Full Quotations are obtained and a Weighted Average Quotation is obtained, such Weighted Average Quotation; (e) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained (and subject to sub-paragraph (b) of the definition of "Quotation" below), an amount determined by the Calculation Agent on the next Business Day on which at least two Full Quotations or a Weighted Average Quotation is obtained; and (f) if two or more Full Quotations are not obtained within the additional 10 Business Day period set forth in sub-paragraph (b) of the definition of "Quotation", the Market Value shall be determined as provided in such sub-paragraph (b);

"Maximum Maturity" means an obligation that has a remaining maturity from the Physical Settlement Date of not greater than the period specified in the applicable Final Terms;

"Minimum Quotation Amount" means the lower of (i) U.S.\$1,000,000 (or its equivalent in the relevant Obligation Currency) and (ii) the Quotation Amount;

"Modified Eligible Transferee" means any bank, financial institution or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities and other financial assets;

"Modified Restructuring Maturity Limitation Date" means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Observation End Date, provided that, in circumstances where the Scheduled Observation End Date is later than the 2.5-year Limitation Date, at least one Enabling Obligation exists. If **"Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable"** is specified in the applicable Final Terms and the Scheduled Observation End Date is later than the 2.5-year Limitation Date and prior to the 5-year Limitation Date, a Restructured Bond or Loan will not constitute an Enabling Obligation. Notwithstanding the foregoing, if the Scheduled Observation End Date is either (a) on or prior to the 2.5-year Limitation Date or (b) later than the 2.5-year Limitation Date and on or prior to the 5-year Limitation Date and no Enabling Obligation exists, the Modified Restructuring Maturity Limitation Date will be the 5-year Limitation Date in the case of a Restructured Bond or Loan only.

Subject to the foregoing, in the event that the Scheduled Observation End Date is later than (i) the 2.5-year Limitation Date and no Enabling Obligation exists or (ii) the 20-year Limitation Date, the Modified Restructuring Maturity Limitation Date will be the Scheduled Observation End Date;

"Movement Option" means, if either **"Restructuring Maturity Limitation and Fully Transferable Obligation Applicable"** or **"Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable"** is specified as applicable in the applicable Final Terms, and if a No Auction Announcement Date has occurred pursuant to sub-paragraph (b) of the definition of "No Auction Announcement Date", the option of the Issuer to determine in good faith the Parallel Auction Settlement Terms, if any, that shall be deemed to be applicable for the purposes of the Notes and Auction Settlement in respect of a Reference Entity and a Credit Event (for which purpose the Issuer may take into account (a) the terms of the relevant Parallel Auction Settlement Terms, the permissible derivable obligations thereunder, the Deliverable Obligations under the Notes and (b) any hedging transaction that the Issuer has or may enter into in connection with the Notes);

"Movement Option Cut-off Date" means the date that is four Relevant City Business Days following the Exercise Cut-off Date;

"Multiple Holder Obligation" means an Obligation that (a) at the time of the event which constitutes a Restructuring Credit Event is held by more than three holders that are not Affiliates of each other and (b) with respect to which a percentage of holders (determined pursuant to the terms of the Obligation as in effect on the date of such event) at least equal to 66⅔ is required to consent to the event which constitutes a

Restructuring Credit Event, provided that any Obligation that is a Bond shall be deemed to satisfy the requirement in sub-paragraph (b) above;

"Multiple Exercise Restructuring Credit Event" means a Restructuring Credit Event in respect of which (i) **"Restructuring Maturity Limitation and Fully Transferable Obligation Applicable"** or **"Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable"** is specified in the applicable Final Terms and (ii) the Exercise Amount specified in the first Credit Event Notice delivered by the Issuer in connection with such Restructuring Credit Event is for an amount that is less than (a) if the Notes are not Linear Basket Credit Linked Notes, the Aggregate Nominal Amount of the Notes or (b) if the Notes are Linear Basket Credit Linked Notes, the entire Related Nominal Amount of the relevant Reference Entity;

"No Auction Announcement Date" means, with respect to Notes for which Auction Settlement is specified as the Settlement Basis in the applicable Final Terms, a Reference Entity and a Credit Event, the date on which the Calculation Agent determines that ISDA first publicly announces that:

- (a) no Applicable Credit Derivatives Auction Settlement Terms and, if applicable, no Parallel Auction Settlement Terms will be published; or
- (b) following the occurrence of a Restructuring, if either **"Restructuring Maturity Limitation and Fully Transferable Obligation Applicable"** or **"Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable"** is specified in the applicable Final Terms only, no Applicable Transaction Settlement Terms will be published, but Parallel Auction Settlement Terms will be published; or
- (c) the relevant Credit Derivatives Determinations Committee has Resolved that no Auction will be held following a prior public announcement by ISDA to the contrary and the Calculation Agent determines that such Resolution is an Applicable Resolution and no Applicable Auction will be held;

"Not Bearer" means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via the Euroclear System, Clearstream, Luxembourg or any other internationally recognised clearing system;

"Not Contingent" means any obligation having as of the Delivery Date and all times thereafter an outstanding principal balance or, in the case of obligations that are not Borrowed Money, a Due and Payable Amount, that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall satisfy the Not Contingent Deliverable Obligation Characteristic if such Convertible Obligation, Exchangeable Obligation or Accreting Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (a) to convert to exchange such obligation or (b) to require the issuer to purchase or redeem such obligation (if the issuer has exercised or may exercise the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the Delivery Date;

"Not Domestic Currency" means any obligation that is payable in any currency other than the Domestic Currency;

"Not Domestic Issuance" means any obligation other than an obligation that was, at the time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be offered for sale primarily in the domestic market of the relevant Reference Entity. Any obligation that is registered or qualified for sale outside the domestic market of the relevant Reference Entity (regardless of whether such obligation is

also registered or qualified for sale within the domestic market of the relevant Reference Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Reference Entity;

"Not Domestic Law" means any obligation that is not governed by the laws of (a) the relevant Reference Entity, if such Reference Entity is a Sovereign, or (b) the jurisdiction of organisation of the relevant Reference Entity, if such Reference Entity is not a Sovereign;

"Not Sovereign Lender" means any obligation that is not primarily owed to a Sovereign or Supranational Organisation, including, without limitation, obligations generally referred to as **"Paris Club debt"**;

"Not Subordinated" means an obligation that is not Subordinated to (A) the most senior Reference Obligation in priority of payment or (B) if no Reference Obligation is specified in the applicable Final Terms, any unsubordinated Borrowed Money obligation of the relevant Reference Entity provided that, if any of the events set forth under sub-paragraph (a) of the definition of "Substitute Reference Obligation" has occurred with respect to all of the Reference Obligations or if, with respect to the Reference Obligation, one or more Successors to the Reference Entity have been identified and any one or more such Successors have not assumed the Reference Obligation (each, in each case, a **"Prior Reference Obligation"**) and no Substitute Reference Obligation has been identified for any of the Prior Reference Obligations at the time of the determination of whether an obligation satisfies the **"Not Subordinated"** Obligation Characteristic or Deliverable Obligation Characteristic, as applicable, **"Not Subordinated"** shall mean an obligation that would not have been Subordinated to the most senior such Prior Reference Obligation in priority of payment. For the purposes of determining whether an obligation satisfies the **"Not Subordinated"** Obligation Characteristic or Deliverable Obligation Characteristic, the ranking in priority of payment of each Reference Obligation or each Prior Reference Obligation, as applicable, shall be determined as of the date as of which the relevant Reference Obligation or Prior Reference Obligation, as applicable, was issued or incurred and shall not reflect any change to such ranking in priority of payment after such date.

Where the Reference Obligation specified in the applicable Final Terms is a subordinated obligation and such obligation is redeemed in full on or prior to the Trade Date, the ranking in priority of payment of the Reference Obligation for the purposes of this definition and the purposes of the definition of "Substitute Reference Obligation" shall be that of such Reference Obligation as of the date on which such Reference Obligation was redeemed in full;

"Notice Delivery Period" means the period from and including the Trade Date to and including the second Business Day following the date that is 14 calendar days after the Extension Date;

"Notice of Deliverable Obligation(s)" means a notice from the Issuer to Noteholders that contains a detailed description of each Deliverable Obligation comprised in the Deliverable Obligation Entitlement(s) that the Issuer expects to Deliver in respect of the Notes (which will reflect the Deliverable Obligation(s) specified in the most recent Notice of Physical Settlement or NOPS Amendment Notice delivered by the Issuer to the Calculation Agent), including the Outstanding Amount of each such Deliverable Obligation and, if available and applicable, the CUSIP or ISIN number (or, if such identifying number is not available or applicable, the rate and tenor of each such Deliverable Obligation). The Issuer may, from time to time, notify Noteholders (each such notification, a **"NODO Amendment Notice"**) that the Issuer is replacing, in whole or in part, one or more Deliverable Obligations specified in the Notice of Deliverable Obligations or a prior NODO Amendment Notice, as applicable with one or more Replacement Deliverable Obligation(s) (to the extent the relevant Deliverable Obligation has not been Delivered as of the date such NODO Amendment Notice is effective) or the detailed description(s) thereof including the relevant Replaced Deliverable Obligation Outstanding Amount(s). Each such NODO Amendment Notice must be effective on or prior to the Physical Settlement Date (determined without reference to any such change resulting from such NODO Amendment Notice). Notwithstanding the foregoing, the Issuer may correct any errors or inconsistencies in the detailed description of each Deliverable Obligation contained in the Notice of

Deliverable Obligations or any NODO Amendment Notice, as applicable, by notice to the Noteholders prior to the relevant Delivery Date, it being understood that such notice of correction shall not constitute a NODO Amendment Notice. A Notice of Deliverable Obligations or a NODO Amendment Notice shall be subject to the requirements regarding notices contained in Condition 21 of the General Conditions;

"Notice of Physical Settlement" means a notice from the Issuer to the Calculation Agent that contains (a) a detailed description of each Deliverable Obligation that the Issuer expects to comprise the Deliverable Obligation Entitlement(s) in respect of the Notes, including the outstanding principal balance or Due and Payable Amount, as applicable (in each case, the **"Outstanding Amount"**), of each such Deliverable Obligation and, if available and applicable, the CUSIP or ISIN number (or, if such identifying number is not available or applicable, the rate and tenor of each such Deliverable Obligation) and (b), where (i) the relevant Credit Event is a Restructuring, (ii) either **"Restructuring Maturity Limitation and Fully Transferable Obligation Applicable"** or **"Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable"** is specified in the applicable Final Terms and (iii) the Scheduled Observation End Date is later than (A) the final maturity date of the Latest Maturity Restructured Bond or Loan, if any, or (B) the 2.5-year Limitation Date contains a detailed description of at least one Enabling Obligation, which description will include the CUSIP or ISIN number, if available and applicable (or, if such identifying number is not available, the rate and tenor), of such Enabling Obligation and any other information necessary to establish that such obligation is an Enabling Obligation). The Issuer may, from time to time, notify the Calculation Agent (each such notification a **"NOPS Amendment Notice"**) that the Issuer is replacing, in whole or in part, one or more Deliverable Obligations specified in the Notice of Physical Settlement or a prior NOPS Amendment Notice, as applicable (to the extent the relevant Deliverable Obligation has not been Delivered as of the date such NOPS Amendment Notice is effective) or the detailed description(s) thereof. A NOPS Amendment Notice shall contain a revised detailed description of each replacement Deliverable Obligation that Issuer expects to Deliver (each, a **"Replacement Deliverable Obligation"**) and shall also specify the Outstanding Amount of each Deliverable Obligation identified in the Notice of Physical Settlement or a prior NOPS Amendment Notice, as applicable, that is being replaced (with respect to each such Deliverable Obligation, the **"Replaced Deliverable Obligation Outstanding Amount"**). The Outstanding Amount of each Replacement Deliverable Obligation identified in a NOPS Amendment Notice shall be determined by applying the Best Currency Rate to the relevant Replaced Deliverable Obligation Outstanding Amount. Each such NOPS Amendment Notice must be effective on or prior to the Physical Settlement Date (determined without reference to any such change resulting from such NOPS Amendment Notice). Notwithstanding the foregoing, the Issuer may correct any errors or inconsistencies in the detailed description of each Deliverable Obligation contained in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, by notice to the Calculation Agent prior to the relevant Delivery Date, it being understood that such notice of correction shall not constitute a NOPS Amendment Notice;

"Notice of Physical Settlement Condition to Settlement" will be deemed to have been satisfied by the delivery by the Issuer of a Notice of Physical Settlement to the Calculation Agent that is effective subject, where applicable, to Condition 5 of these Credit Linked Conditions, on or prior to two Business Days following the date that is:

- (a) subject to sub-paragraph (b) below, the later of:
 - (i) the 30th calendar day (subject to adjustment in accordance with any applicable Business Day Convention) after the Event Determination Date; and
 - (ii) the 10th calendar day after either (A) the date of the relevant DC Credit Event Announcement, if any, or (B) the date on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters

described in sub-paragraphs (a) and (b) of the definition of "Credit Event Resolution Request Date", if any, as applicable; or

- (b) if **"Physical Settlement"** is applicable pursuant to the Fallback Settlement Method and:
 - (i) the relevant Credit Event is not a Restructuring (or, if such Credit Event is a Restructuring, neither **"Restructuring Maturity Limitation and Fully Transferable Obligation Applicable"** nor **"Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable"** is specified in the applicable Final Terms), the 30th calendar day after the Auction Cancellation Date or the No Auction Announcement Date, as applicable; or
 - (ii) the relevant Credit Event is a Restructuring and either **"Restructuring Maturity Limitation and Fully Transferable Obligation Applicable"** or **"Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable"** is specified in the applicable Final Terms, either:
 - (A) the 30th calendar day after:
 - (I) a No Auction Announcement Date occurring pursuant to sub-paragraph (a) of the definition of "No Auction Announcement Date", if any; or
 - (II) a No Auction Announcement Date occurring pursuant to sub-paragraph (c) of the definition of "No Auction Announcement Date", if any, in circumstances where no Parallel Auction will be held; or
 - (III) the Auction Cancellation Date, if any, as applicable; or
 - (B) the Relevant City Business Day immediately following the later of the Parallel Auction Final Price Determination Date, if any (or, if more than one should occur, the last Parallel Auction Final Price Determination Date), and the Parallel Auction Cancellation Date, if any (or, if more than one should occur, the last Parallel Auction Cancellation Date), as applicable, in circumstances where either:
 - (I) a No Auction Announcement Date occurs pursuant to sub-paragraph (b) of the definition of "No Auction Announcement Date" and the Issuer has not exercised any Movement Option; or
 - (II) a No Auction Announcement Date occurs pursuant to sub-paragraph (c) of the definition of "No Auction Announcement Date" in circumstances where one or more Parallel Auctions will be held,

provided that in the case of sub-paragraph (a)(ii) and sub-paragraph (b) above, the relevant Credit Event Resolution Request Date occurred on or prior to the date described in sub-paragraph (a)(i) above.

For the purposes of determining whether the Notice of Physical Settlement Condition to Settlement has been satisfied, the effective date of delivery of the Notice of Physical Settlement (whether or not subsequently changed) shall be used;

"Notice of Publicly Available Information" means an irrevocable notice from the Issuer to the Calculation Agent that cites Publicly Available Information confirming the occurrence of the Credit Event or Potential Repudiation/Moratorium, as applicable, described in the Credit Event Notice or Repudiation/Moratorium Extension Notice. In relation to a Repudiation/Moratorium Credit Event, the Notice of Publicly Available Information must cite Publicly Available Information confirming the occurrence of both sub-paragraphs (a) and (b) of the definition of "Repudiation/Moratorium". The notice given must contain a copy, or a description in reasonable detail, of the relevant Publicly Available

Information. If a Credit Event Notice or Repudiation/Moratorium Extension Notice, as applicable, contains Publicly Available Information, such Credit Event Notice or Repudiation/Moratorium Extension Notice will also be deemed to be a Notice of Publicly Available Information. A copy of any Notice of Publicly Available Information shall be delivered to the Noteholders as soon as reasonably practicable and shall be subject to the requirements regarding notices contained in Condition 21 of the General Conditions;

"Notice to Exercise Movement Option" means, if (a) either **"Restructuring Maturity Limitation and Fully Transferable Obligation Applicable"** or **"Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable"** is specified as applicable in the applicable Final Terms and (b) the Fallback Settlement Method would otherwise be applicable pursuant to Condition 4(c) of these Credit Linked Conditions, a notice from the Issuer to the Calculation Agent that (i) specifies the Parallel Auction Settlement Terms applicable with respect to Notes in accordance with the Movement Option and (ii) is effective on or prior to the Movement Option Cut-off Date;

"Nth Reference Entity" means, in respect of any Series of Nth-to-Default Credit Linked Notes, the numbered Reference Entity with respect to which an Event Determination Date must have occurred in order for the Notes to be redeemed in accordance with the applicable Settlement Basis. For example, if the applicable Final Terms specify that the Notes are Second-to-Default Credit Linked Notes, then the Nth Reference Entity shall be the second Reference Entity with respect to which an Event Determination Date has occurred;

"Nth-to-Default Credit Linked Notes" means any Series of Notes in respect of which the Issuer purchases credit protection from Noteholders in respect of two or more Reference Entities and pursuant to which, upon the occurrence of a Credit Event and satisfaction of the Conditions to Settlement with respect to the Nth Reference Entity, the Notes will be redeemed in accordance with the relevant Settlement Basis;

"Obligation" means, in respect of a Reference Entity, any of the following obligations (a) any obligation of the Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if **"All Guarantees"** is specified as applicable in the applicable Final Terms, as provider of any Qualifying Guarantee), which is described by the Obligation Category and has the Obligation Characteristics specified in the applicable Final Terms for such Reference Entity (but excluding any Excluded Obligation), in each case, as of the date of the event which constitutes the Credit Event which is either the subject of the Credit Event Notice or the notice to ISDA resulting in the occurrence of the Credit Event Resolution Request Date, as applicable, and/or (b) any Reference Obligation specified in respect of such Reference Entity in the applicable Final Terms (unless such Reference Obligation is an Excluded Obligation) and/or (c) any other obligation(s) of the Reference Entity specified as such in the applicable Final Terms;

"Obligation Acceleration" means one or more Obligations in an aggregate amount of not less than the Default Requirement have become due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations;

"Obligation Category" means Payment, Borrowed Money, Reference Obligations Only, Bond, Loan, or Bond or Loan, only one of which shall be specified in the applicable Final Terms;

"Obligation Characteristics" means any one or more of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law, Listed and Not Domestic Issuance, as specified in the applicable Final Terms; provided that, if the applicable Final Terms specifies the Obligation Category as being Reference Obligations Only, then no Obligation Characteristics shall be applicable, provided that, if the Obligation Characteristic **"Listed"** is specified in the applicable Final Terms, the Final Terms shall be construed as though Listed had been specified as an Obligation

Characteristic with respect to Bonds and shall only be relevant if Bonds are covered by the selected Obligation Category;

"Obligation Currency" means, with respect to an Obligation, the currency in which the Obligation is denominated;

"Obligation Default" means one or more Obligations in an aggregate amount of not less than the Default Requirement have become capable of being declared due and payable before they would otherwise have been due and payable as a result of, or on the basis of, the occurrence of a default, event of default or other similar condition or event (however described), other than a failure to make any required payment, in respect of a Reference Entity under one or more Obligations;

"Observation Period" means the period from the Observation Start Date to the Extension Date (both dates inclusive);

"Observation Start Date" means the date specified in the applicable Final Terms, provided that, if no date is so specified, the Observation Start Date shall mean (a) in connection with a Credit Event, the earlier to occur of the Trade Date and the Credit Event Backstop Date with respect to such Credit Event and (b) in connection with a Succession Event, the earlier to occur of the Trade Date and the Succession Event Backstop Date with respect to such Succession Event, as applicable;

"Outstanding Amount" has the meaning set out in Condition 10(b) of these Credit Linked Conditions;

"Outstanding Principal Balance" means:

- (a) with respect to any Accreting Obligation, the Accreted Amount thereof;
- (b) with respect to any Exchangeable Obligation that is not an Accreting Obligation, the outstanding principal balance of such obligation excluding any amount that may be payable under the terms of such obligation in respect of the value of the Equity Securities into which such obligation is exchangeable; and
- (c) with respect to any other Obligation, the outstanding principal balance of such Obligation;

"Overnight Rate" means the overnight rate for deposits in the relevant currency as determined by the Calculation Agent, in good faith having regard to any then existing market practice;

"Parallel Auction" means **"Auction"** as defined in the relevant Parallel Auction Settlement Terms;

"Parallel Auction Cancellation Date" means **"Auction Cancellation Date"** as defined in the relevant Parallel Auction Settlement Terms;

"Parallel Auction Final Price Determination Date" means **"Auction Final Price Determination Date"** as defined in the relevant Parallel Auction Settlement Terms;

"Parallel Auction Settlement Date" means **"Auction Settlement Date"** as defined in the relevant Parallel Auction Settlement Terms;

"Parallel Auction Settlement Terms" means, following the occurrence of a Restructuring, if either **"Restructuring Maturity Limitation and Fully Transferable Obligation Applicable"** or **"Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation Applicable"** is specified in the applicable Final Terms, any Credit Derivatives Auction Settlement Terms published by ISDA with respect to such Restructuring in accordance with the Rules, and for which the deliverable obligation terms are the same as the Deliverable Obligation provisions applicable to the Notes and the Calculation Agent determines that the related Auction would not be an Applicable Auction for the purposes of the Notes;

"Partial Cash Settlement Amount" and **"Partial Cash Settlement Date"** shall each have the meaning specified in Condition 3(i)(iii) of these Credit Linked Conditions;

"Partial Principal Amount" has the meaning set out in Condition 9(c)(iii) of these Credit Linked Conditions;

"Payment" means any obligation (whether present or future, contingent or otherwise) for the payment or repayment of money, including, without limitation, Borrowed Money;

"Payment Requirement" means the amount as may be specified as such in the applicable Final Terms or its equivalent in the Obligation Currency or, if a Payment Requirement is not so specified in the applicable Final Terms, U.S.\$1,000,000 or its equivalent in the Obligation Currency, in each case as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable;

"Permitted Currency" means (a) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership) or (b) the legal tender of any country which, as of the date of such change, is a member of the Organisation for Economic Cooperation and Development and has a local currency long-term debt rating of either **"AAA"** or higher assigned to it by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or any successor to the rating business thereof, **"Aaa"** or higher assigned to it by Moody's Investors Service, Inc. or any successor to the rating business thereof or **"AAA"** or higher assigned to it by Fitch Ratings or any successor to the rating business thereof;

"Physical Settlement Date" means, subject to Condition 5 of these Credit Linked Conditions, the date determined by the Issuer that is:

- (i) the number of Business Days specified in the applicable Final Terms after the date of delivery of the Notice of Physical Settlement; or
- (ii) if such number of Business Days is not so specified, (a) 30 Business Days after the date of delivery of the Notice of Physical Settlement or (b) two Business Days following the last day of the longest Physical Settlement Period, if later;

"Physical Settlement Period" means, subject to Condition 5 of these Credit Linked Conditions, the number of Business Days specified as such in the Final Terms or, if a number of Business Days is not so specified, then, with respect to a Deliverable Obligation specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, the longest number of Business Days for settlement in accordance with then current market practice of such Deliverable Obligation, as determined by the Calculation Agent;

"Potential Failure to Pay" means the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations, in accordance with the terms of such Obligations at the time of such failure;

"Potential Repudiation/Moratorium" means the occurrence of an event described in sub-paragraph (a) of the definition of "Repudiation/Moratorium";

"Publicly Available Information" means information that reasonably confirms any of the facts relevant to the determination that the Credit Event or Potential Repudiation/Moratorium, as applicable, described in a Credit Event Notice or the Repudiation/Moratorium Extension Notice has occurred and which (a) has been published in or on not less than two internationally recognised published or electronically displayed news sources, regardless of whether the reader or user thereof pays a fee to obtain such information; provided that, if the Issuer or any of its Affiliates is cited as the sole source of such information, then such

information shall not be deemed to be Publicly Available Information unless the Issuer or its Affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent, facility agent, agent bank or paying agent for an Obligation; (b) is information received from or published by (i) the relevant Reference Entity or (ii) a trustee, fiscal agent, administrative agent, clearing agent, facility agent, agent bank or paying agent for an Obligation; (c) is information contained in any petition or filing instituting a proceeding described in sub-paragraph (d) of the definition of "Bankruptcy" against or by a Reference Entity; or (d) is information contained in any order, decree, notice or filing however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative or judicial body, provided that:

- (i) in relation to any information of the type described in sub-paragraphs (b), (c) and (d) above, each Noteholder may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the Calculation Agent has not taken any action or entered into any agreement or understanding with the Reference Entity or any Affiliate of the Reference Entity that would be breached by, or would prevent, the disclosure of such information to the Noteholders; and
- (iii) Publicly Available Information need not state (A) in relation to a Downstream Affiliate, the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity and (B) that such occurrence (I) has met the Payment Requirement or Default Requirement, (II) is the result of exceeding any applicable Grace Period or (III) has met the subjective criteria specified in certain Credit Events;

"Qualifying Affiliate Guarantee" means a Qualifying Guarantee provided by a Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of that Reference Entity;

"Qualifying Guarantee" means an arrangement evidenced by a written instrument pursuant to which a Reference Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the **"Underlying Obligation"**) for which another party is the obligor (the **"Underlying Obligor"**). Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement or (ii) pursuant to the terms of which the payment obligations of the Reference Entity can be discharged, reduced or otherwise altered or assigned (other than by operation of law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). The benefit of a Qualifying Guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation. In the event that an Obligation or a Deliverable Obligation is a Qualifying Guarantee, the following will apply:

- (a) For the purposes of the application of the Obligation Category or the Deliverable Obligation Category, the Qualifying Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.
- (b) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, unless otherwise specified in the applicable Final Terms, (i) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro shall not be a Domestic Currency and (ii) the laws of England and the laws of the State of New York shall not be a Domestic Law.
- (c) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the

applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the applicable Final Terms from the following list: Listed, Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer.

- (d) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Reference Entity shall be deemed to refer to the Underlying Obligor.
- (e) The terms "**outstanding principal balance**" and "**Due and Payable Amount**" (as they are used in various other Conditions, including, without limitation, in the definition of "Partial Cash Settlement Amount" and "Quotation Amount"), when used in connection with Qualifying Guarantees are to be interpreted to be the then "outstanding principal balance" or "Due and Payable Amount", as applicable, of the Underlying Obligation which is supported by a Qualifying Guarantee;

"Qualifying Participation Seller" means any participation seller that meets the requirements specified in the applicable Final Terms. If no such requirements are specified, there shall be no Qualifying Participation Seller;

"Quotation" means each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage with respect to a Valuation Date in the following manner:

- (a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the 10th Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Dealers and, if two or more Full Quotations are not available, a Weighted Average Quotation.
- (b) If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation on the same Business Day on or prior to the 15th Business Day following the applicable Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Dealer at the Valuation Time on such 15th Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation obtained from Dealers at the Valuation Time on such 15th Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations were not obtained on such day.
- (c)
 - (i) If "**Include Accrued Interest**" is specified in the applicable Final Terms in respect of Quotations, such Quotations shall include accrued but unpaid interest;
 - (ii) if "**Exclude Accrued Interest**" is specified in the applicable Final Terms in respect of Quotations, such Quotations shall not include accrued but unpaid interest; and
 - (iii) if neither "**Include Accrued Interest**" nor "**Exclude Accrued Interest**" is specified in the applicable Final Terms in respect of Quotations, the Calculation Agent shall determine, based on the then current market practice in the market of the Reference Obligation, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.
- (d) If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation will instead be

expressed as a percentage of the outstanding principal balance for the purposes of determining the Final Price;

"Quotation Amount" means the amount specified as such in the applicable Final Terms (or its equivalent in the relevant Obligation Currency converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates in effect at the time that the relevant Quotation is being obtained) provided that, if no such sum is specified, the Quotation Amount shall be the (a) an amount equal to the Aggregate Nominal Amount of the Notes (or, in the case of a Linear Basket Credit Linked Notes, the Related Nominal Amount of the relevant Reference Entity), or (b) in the case of a Restructuring (if applicable), an amount equal to the relevant Exercise Amount;

"Quotation Method" means that only bid quotations shall be requested from Dealers in obtaining Quotations;

"Reference Entity" or **"Reference Entities"** means the entity or entities specified as such in the applicable Final Terms, and any Successor either (a) as determined by the Calculation Agent on or following the Trade Date or (b) identified by the Calculation Agent by reference to a public announcement by ISDA on or following the Trade Date that the relevant Credit Derivatives Determinations Committee has Resolved, in respect of a Succession Event Resolution Request Date, a Successor in accordance with the Rules;

"Reference Obligation" means (a) each obligation (if any) specified as such or of a type described in the applicable Final Terms and (b) any Substitute Reference Obligation;

"Reference Obligations Only" means any obligation that is a Reference Obligation and no Obligation Characteristics shall be applicable to Reference Obligations Only;

"Related Nominal Amount" means, in respect of a Reference Entity, the amount specified as such in the applicable Final Terms;

"Relevant City Business Day" has the meaning given to that term in the Rules;

"Relevant Currency" has the meaning set out in the applicable Final Terms, provided that, if no such currency is specified, the Relevant Currency shall be the Specified Currency (as defined in these Credit Linked Conditions);

"Relevant Obligations" means the Obligations constituting Bonds and Loans of the Reference Entity outstanding immediately prior to the effective date of the Succession Event, excluding any debt obligations outstanding between the Reference Entity and any of its Affiliates, as determined by the Calculation Agent. The Calculation Agent will determine the entity which succeeds to such Relevant Obligations on the basis of the Best Available Information. If the date on which the Best Available Information becomes available or is filed precedes the legally effective date of the relevant Succession Event, any assumptions as to the allocation of obligations between or among entities contained in the Best Available Information will be deemed to have been fulfilled as of the legally effective date of the Succession Event, whether or not this is in fact the case;

"Relevant Proportion" means, in respect of a Note, an amount (expressed as a percentage) equal to the principal amount outstanding of such Note as at the relevant Event Determination Date divided by the Aggregate Nominal Amount of all Notes outstanding as at the relevant Event Determination Date;

"Remaining Amount" has the meaning set out in Condition 9(c)(iv) of these Credit Linked Conditions;

"Repudiation/Moratorium" means the occurrence of both the following events:

- (a) an authorised officer of a Reference Entity or a Governmental Authority (i) disaffirms, disclaims, repudiates or rejects, in whole, or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than the Default Requirement or (ii) declares or imposes a

moratorium, standstill, roll-over or deferral, whether *de facto* or *de jure*, with respect to one or more Obligations in an aggregate amount of not less than the Default Requirement; and

- (b) a Failure to Pay, determined without regard to the Payment Requirement, or a Restructuring, determined without regard to the Default Requirement, with respect to any such Obligation occurs on or prior to the Repudiation/Moratorium Evaluation Date;

"Repudiation/Moratorium Evaluation Date" means, if a Potential Repudiation/Moratorium occurs on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)): (a) if the Obligations to which such Potential Repudiation/ Moratorium relates include Bonds, the date that is the later of (i) the date that is 60 days after the date of such Potential Repudiation/Moratorium and (ii) the first payment date under any such Bond after the date of such Potential Repudiation/Moratorium (or, if later, if the expiration date of any applicable Grace Period in respect of such payment date) and (b) if the Obligations to which such Potential Repudiation/Moratorium relates do not include Bonds, the date that is 60 days after the date of such Potential Repudiation/Moratorium, provided that, in either case, the Repudiation/Moratorium Evaluation Date shall occur no later than the Scheduled Observation End Date unless the Repudiation/Moratorium Extension Condition is satisfied;

The **"Repudiation/Moratorium Extension Condition"** is satisfied if:

- (a) the Calculation Agent determines that ISDA has publicly announced pursuant to a valid request that was made, in accordance with the Rules, and effectively received on or prior to the date that is 14 calendar days after the Scheduled Observation End Date that the relevant Credit Derivatives Determinations Committee has Resolved that an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the relevant Reference Entity and that such event occurred on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)) and such Resolution constitutes an Applicable Resolution; or
- (b) otherwise by the delivery by the Calculation Agent to the Issuer of a Repudiation/Moratorium Extension Notice and, if Notice of Publicly Available Information is specified as a Condition to Settlement in the applicable Final Terms, a Notice of Publicly Available Information that are each effective on or prior to the date that is 14 calendar days after the Scheduled Observation End Date.

In all cases, the Calculation Agent may determine that the Repudiation/Moratorium Extension Condition has not been satisfied, or is not capable of being satisfied, if, or to the extent that, ISDA publicly announces, pursuant to a valid request that was delivered in accordance with the Rules and effectively received on or prior to the date that is 14 calendar days after the Scheduled Observation End Date, that the relevant Credit Derivatives Determinations Committee has Resolved that either (a) an event does not constitute a Potential Repudiation/Moratorium with respect to an Obligation of the relevant Reference Entity or (b) an event that constitutes a Potential Repudiation/Moratorium has occurred with respect to an Obligation of the relevant Reference Entity but that such event occurred after the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), in each case provided that the Calculation Agent determines such Resolution is an Applicable Resolution;

"Repudiation/Moratorium Extension Notice" means an irrevocable notice (which may be in writing (including by facsimile and/or email) and/or by telephone) from the Issuer to the Calculation Agent in accordance with these Credit Linked Conditions that describes a Potential Repudiation/Moratorium that

occurred on or prior to the Scheduled Observation End Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)). A Repudiation/Moratorium Extension Notice must contain a description in reasonable detail of the facts relevant to the determination that a Potential Repudiation/Moratorium has occurred and indicate the date of the occurrence. The Potential Repudiation/Moratorium that is the subject of the Repudiation/Moratorium Extension Notice need not to be continuing on the date the Repudiation/Moratorium Extension Notice is delivered. A copy of each Repudiation/Moratorium Extension Notice shall be given to Noteholders in accordance with Condition 21 of the General Conditions;

"Resolve", "Resolved", "Resolves" and "Resolving" mean, with respect to a Credit Derivatives Determinations Committee, the making of a specific determination in accordance with the relevant Rules (and each such determination, a **"DC Resolution"**);

"Restructured Bond or Loan" means an Obligation that is a Bond or Loan and in respect of which the relevant Restructuring has occurred;

"Restructuring" means:

- (a) with respect to one or more Obligations, and in relation to an aggregate amount of not less than the Default Requirement, any one or more of the following events occurs, is agreed between the Reference Entity or a Governmental Authority and the holder or holders of such Obligation or is announced (or otherwise decreed) by the Reference Entity or a Governmental Authority in a form that is binding upon a Reference Entity, and such event is not provided for under the terms of such Obligation in effect as of the later of (i) the relevant Credit Event Backstop Date and (ii) the date as of which such obligation is issued or incurred:
 - (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;
 - (ii) a reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;
 - (iii) a postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;
 - (iv) a change in the ranking in priority of payment of any Obligation, causing the subordination of such Obligation; or
 - (v) any change in the currency or composition of any payment of interest or principal that is not a Permitted Currency.
- (b) Notwithstanding the provisions of sub-paragraph (a) above, none of the following shall constitute a Restructuring:
 - (i) the payment in euros of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;
 - (ii) the occurrence of, agreement to or announcement of any of the events described in sub-paragraphs (a)(i) to (v) above, due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and

- (iii) the occurrence of, agreement to or announcement of any of the events described in sub-paragraphs (a)(i) to (v) above, in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Reference Entity.
- (c) For the purposes of sub-paragraphs (a) and (b) above, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Reference Entity in sub-paragraph (a) above shall be deemed to refer to the Underlying Obligor and the reference to the Reference Entity in sub-paragraph (b) above shall continue to refer to the Reference Entity.
- (d) Unless Multiple Holder Obligation is specified as not applicable in the applicable Final Terms, then, notwithstanding anything to the contrary in sub-paragraph (a), (b) or (c) above, the occurrence of, agreement to or announcement of any of the events described in sub-paragraphs (a)(i) to (v) above shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation;

"Restructuring Credit Event" has the meaning given to such term in Condition 10(a) of these Credit Linked Conditions;

"Restructuring Date" means the date on which a Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring;

"Restructuring Maturity Limitation Date" means, with respect to a Deliverable Obligation, the Limitation Date occurring on or immediately following the Scheduled Observation End Date, provided that, in circumstances where the Scheduled Observation End Date is later than the 2.5-year Limitation Date, at least one Enabling Obligation exists. Notwithstanding the foregoing, if the final maturity date of the Restructured Bond or Loan with the latest final maturity date of any Restructured Bond or Loan occurs prior to the 2.5-year Limitation Date (such Restructured Bond or Loan, a **"Latest Maturity Restructured Bond or Loan"**) and the Scheduled Observation End Date occurs prior to the final maturity date of such Latest Maturity Restructured Bond or Loan, then the Restructuring Maturity Limitation Date will be the final maturity date of such Latest Maturity Restructured Bond or Loan.

In the event that the Scheduled Observation End Date is later than (a)(i) the final maturity date of the Latest Maturity Restructured Bond or Loan, if any, or (ii) the 2.5-year Limitation Date, and, in either case, no Enabling Obligation exists or (b) the 20-year Limitation Date, the Restructuring Maturity Limitation Date will be the Scheduled Observation End Date;

"Rules" means, with respect to a Credit Derivatives Determinations Committee, the Credit Derivatives Determinations Committees Rules as published by ISDA on its website at www.isda.org (or any successor website thereto) from time to time and as amended from time to time in accordance with the terms thereof;

"Scheduled Observation End Date" means, the date specified as such in the applicable Final Terms which date shall not be subject to adjustment in accordance with any Business Day Convention unless otherwise specified in the applicable Final Terms;

"Settlement Basis" means Cash Settlement, Physical Settlement and/or Auction Settlement, as specified in the applicable Final Terms or Credit Event Notice;

"Settlement Date" means the Auction Settlement Date, the Cash Settlement Date or the Physical Settlement Date, as applicable;

"Single Name Credit Linked Notes" means any Series of Notes in respect of which the Issuer purchases credit protection from Noteholders in respect of one Reference Entity alone;

"Sovereign" means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) thereof;

"Sovereign Agency" means any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) of a Sovereign;

"Sovereign Reference Entity" means a Reference Entity determined to be a Sovereign Reference Entity by the Calculation Agent;

"Sovereign Restructured Deliverable Obligation" means an Obligation of a Sovereign Reference Entity (a) in respect of which a Restructuring that is the subject of the relevant Credit Event Notice has occurred and (b) described by the Deliverable Obligation Category specified in the Final Terms, and, subject as set out in the definition of "Deliverable Obligation Category", having each of the Deliverable Obligation Characteristics, if any, specified in the Final Terms, in each case, immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring without regard to whether the Obligation would satisfy such Deliverable Obligation Category or Deliverable Obligation Characteristics after such Restructuring;

"Specified Currency" means, for the purposes of the definitions of **"Obligation Characteristic"** and **"Deliverable Obligation Characteristic"** only, the currency or currencies specified as such in the applicable Final Terms (or, if Specified Currency is selected as an Obligation Characteristic or Deliverable Obligation Characteristic in the applicable Final Terms and no currency is so specified, any of the lawful currencies of Canada, Japan, Switzerland, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies, which currencies shall be referred to collectively, if applicable, in the applicable Final Terms as the **"Standard Specified Currencies"**);

"Standard Partial Cash Settlement Specifications" means, for the purposes of determining the Final Price in relation to the Alternative Cash Settlement Amount pursuant to Condition 3(i)(iii) of these Credit Linked Conditions only, the following terms shall be defined as follows (notwithstanding the definitions of such terms in this Condition 15):

- (a) **"Indicative Quotation"** means, in accordance with the Quotation Method, each quotation obtained from a Dealer at the Valuation Time for (to the extent reasonably practicable) an amount of the Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation, as the case may be, equal to the Quotation Amount, which reflects such Dealer's reasonable assessment of the price of such Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation, as the case may be, based on such factors as such Dealer may consider relevant, which may include historical prices and recovery rates;
- (b) **"Market Value"** means, with respect to an Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation (as applicable) on a Valuation Date: (i) if more than three Full Quotations are obtained, the arithmetic mean of such Full Quotations, disregarding the Full Quotations having the same highest and lowest values (and, if more than one such Full Quotations have the same highest or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (ii) if exactly three Full Quotations are obtained, the Full Quotation remaining after disregarding the highest and lowest Full Quotations (and, if more than one such Full Quotations have the same highest value or lowest value, then one of such highest or lowest Full Quotations shall be disregarded); (iii) if exactly two Full Quotations are obtained, the arithmetic mean of such Full Quotations; (iv) if fewer than two Full Quotations are obtained and a Weighted Average Quotation is obtained, such Weighted Average Quotation; (v) if Indicative Quotations are specified as applying in the applicable Final Terms and exactly three Indicative Quotations are obtained, the Indicative Quotation remaining after disregarding the highest and lowest Indicative Quotations

- (and, if more than one such Indicative Quotations have the same highest or lowest value, then one of such highest or lowest Indicative Quotations shall be disregarded); (vi) if fewer than two Full Quotations are obtained and no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than three Indicative Quotations are obtained), then an amount as determined by the Calculation Agent on the next Business Day on which at least two Full Quotations or a Weighted Average Quotation or, if applicable, three Indicative Quotations are obtained; and (vii) if fewer than two Full Quotations are obtained, no Weighted Average Quotation is obtained (and, if Indicative Quotations are applicable, fewer than three Indicative Quotations are obtained) on the same Business Day on or prior to the 10th Business Day following the Valuation Date, the Market Value shall be any Full Quotation obtained from a Dealer at the Valuation Time on such 10th Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation (as applicable) obtained from Dealers at the Valuation Time on such 10th Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day;
- (c) **"Quotation"** means each Full Quotation, the Weighted Average Quotation and, if Indicative Quotations are specified as applying in the applicable Final Terms, each Indicative Quotation obtained and expressed as a percentage with respect to a Valuation Date in the manner that follows:
- (i) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Valuation Date from five or more Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same Business Day within three Business Days of a Valuation Date, then on the next following Business Day (and, if necessary, on each Business Day thereafter until the 10th Business Day following the relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more Dealers, and, if two or more Full Quotations are not available, a Weighted Average Quotation. If two or more such Full Quotations or a Weighted Average Quotation are not available on any such Business Day and Indicative Quotations are specified as applying in the applicable Final Terms, the Calculation Agent shall attempt to obtain three Indicative Quotations from five or more Dealers.
 - (ii) If the Calculation Agent is unable to obtain two or more Full Quotations or a Weighted Average Quotation (or, if Indicative Quotations are specified as applying in the applicable Final Terms, three Indicative Quotations) on the same Business Day on or prior to the 10th Business Day following the Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a Dealer at the Valuation Time on such 10th Business Day of, if no Full Quotation is obtained, the weighted average of any firm quotations (or, if applicable, Indicative Quotations) for the Undeliverable Obligation obtained from Dealers at the Valuation Time on such 10th Business Day with respect to the aggregate portion of the Quotation Amount for which such quotations were obtained and a quotation deemed to be zero for the balance of the Quotation Amount for which firm quotations (or, if applicable, Indicative Quotations) were not obtained on such day.
 - (iii) The Calculation Agent shall determine, based on the then current market practice in the market of the relevant Undeliverable Obligation, whether such Quotations shall include or exclude accrued but unpaid interest. All Quotations shall be obtained in accordance with this specification or determination.
 - (iv) If any Quotation obtained with respect to an Accreting Obligation is expressed as a percentage of the amount payable in respect of such obligation at maturity, such Quotation

will instead be expressed as a percentage of the Outstanding Principal Balance for purposes of determining the Final Price;

- (d) **"Quotation Amount"** is deemed to be, with respect to each type or issue of Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation (as applicable), an amount equal to the Outstanding Principal Balance or Due and Payable Amount (or, in either case, its equivalent in the relevant Obligation Currency converted by the Calculation Agent in a commercially reasonable manner by reference to exchange rates in effect at the time that the relevant Quotation is being obtained), as applicable, of such Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation;
- (e) **"Reference Obligation"** is deemed to be each Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation (as applicable);
- (f) **"Valuation Date"** is deemed to be the date that is two Business Days after the Latest Permissible Physical Settlement Date;
- (g) **"Valuation Method"** is deemed to be the highest Quotation obtained by the Calculation Agent with respect to the Valuation Date, unless fewer than two Full Quotations are obtained (or, if applicable, fewer than three Indicative Quotations are obtained) and no Weighted Average Quotation applies, in which case **"Valuation Method"** is deemed to be Market Value;
- (h) **"Valuation Time"** is the time specified as such in the applicable Final Terms, or, if no time is so specified, 11.00 a.m. in the principal trading market for the relevant Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation (as applicable);
- (i) **"Weighted Average Quotation"** means, in accordance with the Quotation Method, the weighted average of firm quotations obtained from Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the relevant Undeliverable Obligation, Undeliverable Loan Obligation or Undeliverable Participation (as applicable) with an Outstanding Principal Balance of as large a size as available but less than the Quotation Amount that in aggregate are approximately equal to the Quotation Amount;

"Subordination" means, with respect to an obligation (the **"Subordinated Obligation"**) and another obligation of the Reference Entity to which such obligation is being compared (the **"Senior Obligation"**), a contractual, trust or similar arrangement providing that (a) upon the liquidation, dissolution, reorganisation or winding-up of the Reference Entity claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation or (b) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against the Reference Entity at any time that the Reference Entity is in payment arrears or is otherwise in default under the Senior Obligation. **"Subordinated"** will be construed accordingly. For the purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other enhancement arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account where the Reference Entity is a Sovereign;

"Substitute Reference Obligation" means one or more obligations of the Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if **"All Guarantees"** is specified as applying in the applicable Final Terms, as provider of any Qualifying Guarantee) that will replace one or more Reference Obligations, identified by the Calculation Agent in accordance with the following procedures:

- (a) In the event that (i) a Reference Obligation is redeemed in whole or (ii) in the opinion of the Calculation Agent (A the aggregate amount due under any Reference Obligation has been materially

- reduced by redemption or otherwise (other than due to any scheduled redemption, amortisation or prepayments), (B) any Reference Obligation is an underlying Obligation with a Qualifying Guarantee of the Reference Entity and, other than due to the existence or occurrence of a Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms, or (C) for any other reason, other than due to the existence or occurrence of a Credit Event, any Reference Obligation is no longer an obligation of a Reference Entity, the Calculation Agent shall identify one or more Obligations to replace such Reference Obligation.
- (b) Any Substitute Reference Obligation shall be an Obligation that (i) ranks *pari passu* in priority of payment with such Reference Obligation (with the ranking in priority of payment of such Reference Obligation being determined as of the date as of which such Reference Obligation was issued or incurred, and not reflecting any change in ranking in priority of payment after such date), (ii) preserves the economic equivalent, as closely as practicable as determined by the Calculation Agent, of the delivery and payment obligations of the Issuer and (iii) is an obligation of the relevant Reference Entity (either directly or as provider of a Qualifying Affiliate Guarantee or, if "**All Guarantees**" is specified as applying in the applicable Final Terms, as provider of a Qualifying Guarantee). The Substitute Reference Obligation or Substitute Reference Obligations identified by the Calculation Agent shall, without further action, replace such Reference Obligation or Reference Obligations. The Calculation Agent shall notify the Noteholders of any selection of a Substitute Reference Obligation or Substitute Reference Obligations. Provided that for the purposes of this definition, where the Reference Obligation specified in the applicable Final Terms is a subordinated obligation and such obligation is redeemed in full on or prior to the Trade Date, the ranking in priority of payment of the Reference Obligation for the purposes of this definition shall be that of such Reference Obligation as of the date on which such Reference Obligation was redeemed in full.
- (c) If there is more than one Reference Obligation, any of the events set forth under sub-paragraph (a) above has occurred with respect to one or more but not all of the Reference Obligations, and the Calculation Agent determines in accordance with sub-paragraph (a) above that no Substitute Reference Obligation is available for one or more of such Reference Obligations, each Reference Obligation for which no Substitute Reference Obligation is available shall cease to be a Reference Obligation.
- (d) If there is more than one Reference Obligation, any of the events set forth under sub-paragraph (a) above has occurred with respect to all of the Reference Obligations, and the Calculation Agent determines in accordance with sub-paragraph (a) above that at least one Substitute Reference Obligation is available for any such Reference Obligation, then each such Reference Obligation shall be replaced by a Substitute Reference Obligation and each Reference Obligation for which no Substitute Reference Obligation is available will cease to be a Reference Obligation.
- (e) If (A) there is more than one Reference Obligation, any of the events set forth in sub-paragraph (a) above has occurred with respect to all of the Reference Obligations, and the Calculation Agent determines in accordance with sub-paragraph (a) above that no Substitute Reference Obligation is available for any of the Reference Obligations or (B) there is only one Reference Obligation, any of the events set forth in sub-paragraph (a) above has occurred with respect to the Reference Obligation and the Calculation Agent determines in accordance with sub-paragraph (a) above that no Substitute Reference Obligation is available for that Reference Obligation, then the Calculation Agent shall continue to attempt to identify a Substitute Reference Obligation until the Extension Date. If (A) either (I) Cash Settlement is specified as the Settlement Basis in the applicable Final Terms (or is applicable pursuant to the Fallback Settlement Basis in accordance with Condition 4 of these Credit Linked Conditions) and the Cash Settlement Amount is determined by reference to a Reference Obligation or (II) either Auction Settlement or Physical Settlement is specified as the

Settlement Basis in the applicable Final Terms (or, in the case of Physical Settlement, is applicable pursuant to the Fallback Settlement Basis in accordance with Condition 4 of these Credit Linked Conditions) and, in each case, the Reference Obligation is the only Deliverable Obligation and (B) on or prior to the Extension Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), a Substitute Reference Obligation has not been identified, as of the end of the day on the Extension Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), the Issuer shall redeem the Notes on the second Business Day following the Extension Date in accordance with Condition 12(a) of the General Conditions (as modified by these Credit Linked Conditions).

- (f) For the purposes of identification of a Reference Obligation, any change in the Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, convert such Reference Obligations into a different Obligation;

"succeed" means, with respect to a Reference Entity and its Relevant Obligations (or, as applicable, obligations), that a party other than such Reference Entity (a) assumes or becomes liable for such Relevant Obligations (or, as applicable, obligations) whether by operation of law or pursuant to any agreement or (b) issues Bonds that are exchanged for Relevant Obligations (or, as applicable, obligations), and in either case such Reference Entity is no longer an obligor (primarily or secondarily) or guarantor with respect to such Relevant Obligations (or, as applicable, obligations). The determinations required pursuant to the definition of "Successor" shall be made, in the case of an exchange offer, on the basis of the outstanding principal balance of Relevant Obligations tendered and accepted in the exchange and not on the basis of the outstanding principal balance of Bonds for which Relevant Obligations have been exchanged;

"Succession Event" means (a) with respect to a Reference Entity that is not a Sovereign, an event such as a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event in which one entity succeeds to the obligations of another entity, whether by operation of law or pursuant to any agreement or (b) with respect to a Reference Entity that is a Sovereign, an event such as an annexation, unification, secession, partition, dissolution, consolidation, reconstitution or other event that results in any direct or indirect successor(s) to such Reference Entity, as determined by the Calculation Agent. Notwithstanding the foregoing, "Succession Event" shall not include an event (i) in which the holders of obligations of the Reference Entity exchange such obligations for the obligations of another entity, unless such exchange occurs in connection with a merger, consolidation, amalgamation, transfer of assets or liabilities, demerger, spin-off or other similar event or (ii) with respect to which the legally effective date (or, in the case of a Reference Entity that is a Sovereign, the date of occurrence) has occurred prior to the applicable Succession Event Backstop Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time));

"Succession Event Backstop Date" means:

- (a) for the purposes of any event that constitutes a Succession Event for the purposes of certain credit derivative transactions, as determined by DC Resolution, the date that is 90 calendar days prior to the relevant Succession Event Resolution Request Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)), provided that the Calculation Agent determines that such DC Resolution constitutes an Applicable Resolution; or
- (b) otherwise, the date that is 105 calendar days prior to the earlier of (i) the date on which the Succession Event Notice is effective and (ii) in circumstances where (A) the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-

paragraphs (a) and (b) of the definition of "Succession Event Resolution Request Date" are satisfied in accordance with the Rules, (B) the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters and (C) the Succession Event Notice is delivered by the Calculation Agent to the Issuer not more than 14 calendar days after the day on which ISDA publicly announces that the relevant Credit Derivatives Determinations Committee has Resolved not to determine such matters, the Succession Event Resolution Request Date, provided that the Calculation Agent determines that such Resolutions constitute Applicable Resolutions.

The Succession Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention unless otherwise specified in the applicable Final Terms;

"Succession Event Notice" means an irrevocable notice from the Calculation Agent (which may be in writing (including by facsimile and/or email) and/or by telephone) to the Issuer that describes a Succession Event that occurred on or after the relevant Succession Event Backstop Date (determined by reference to Greenwich Mean Time (or, if the relevant Reference Entity is a Japan Corporate or Japan Sovereign (as such terms are defined in the 2005 Matrix Supplement), Tokyo time)).

A Succession Event Notice must contain a description in reasonable detail of the facts relevant to the determination, pursuant to the definition of "Successor", of (a) whether a Succession Event has occurred and (b) if relevant, the identity of any Successor(s);

"Succession Event Resolution Request Date" means, with respect to a notice to ISDA, delivered in accordance with the Rules, requesting that a Credit Derivatives Determinations Committee be convened to Resolve:

- (a) whether an event that constitutes a Succession Event for the purposes of certain credit derivatives transactions has occurred with respect to the relevant Reference Entity; and
- (b) if the relevant Credit Derivatives Determinations Committee Resolves that such event has occurred,
 - (i) with respect to a Reference Entity that is not a Sovereign, the legally effective date of such event or
 - (ii) with respect to a Reference Entity that is a Sovereign, the date of the occurrence of such event,

the date, as publicly announced by ISDA, that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective, provided that the Calculation Agent determines that such request and the Resolution constitute an Applicable Request and an Applicable Resolution;

"Successor" means:

- (a) in relation to a Reference Entity that is not a Sovereign, the entity or entities, if any, determined by the Calculation Agent as set forth below:
 - (i) if one entity directly or indirectly succeeds to 75 per cent or more of the Relevant Obligations of the Reference Entity by way of a Succession Event, that entity will be the sole Successor for (A) the entire Aggregate Nominal Amount of the Notes outstanding as at the date of the Succession Event or (B) if the Notes are Linear Basket Credit Linked Notes, the entire Related Nominal Amount of that original Reference Entity outstanding as at the date of the Succession Event;
 - (ii) if only one entity directly or indirectly succeeds to more than 25 per cent (but less than 75 per cent) of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25 per cent of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than 25 per cent of the Relevant Obligations will be the sole Successor for the (A) the entire Aggregate Nominal Amount of the Notes outstanding as at the date of the Succession Event or (B) if the Notes are Linear

Basket Credit Linked Notes, the entire Related Nominal Amount of the original Reference Entity outstanding as at the date of the Succession Event;

- (iii) if more than one entity each directly or indirectly succeeds to more than 25 per cent of the Relevant Obligations of the Reference Entity by way of a Succession Event, and not more than 25 per cent of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than 25 per cent of the Relevant Obligations will each be a Successor in respect of a portion of the Aggregate Nominal Amount of the Notes outstanding as at the date of the Succession Event or, if the Notes are Linear Basket Credit Linked Notes, in respect of a portion of the Related Nominal Amount of the original Reference Entity outstanding as at the date of the Succession Event subject to and in accordance with Condition 9 of these Credit Linked Conditions;
 - (iv) if one or more entities each directly or indirectly succeeds to more than 25 per cent of the Relevant Obligations of the Reference Entity by way of a Succession Event, and more than 25 per cent of the Relevant Obligations of the Reference Entity remain with the Reference Entity, each such entity and the Reference Entity will each be a Successor in respect of a portion of the Aggregate Nominal Amount of the Notes outstanding as at the date of the Succession Event or, if the Notes are Linear Basket Credit Linked Notes, in respect of a portion of the Related Nominal Amount of the original Reference Entity outstanding as at the date of the Succession Event subject to and in accordance with Condition 9 of these Credit Linked Conditions;
 - (v) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25 per cent of the Relevant Obligations of the Reference Entity and the Reference Entity continues to exist, there will be no Successor and the Reference Entity for the purposes of the Notes will not be changed in any way as a result of the Succession Event; and
 - (vi) if one or more entities directly or indirectly succeed to a portion of the Relevant Obligations of the Reference Entity by way of a Succession Event, but no entity succeeds to more than 25 per cent of the Relevant Obligations of the Reference Entity and the Reference Entity ceases to exist, the entity which succeeds to the greatest percentage of Relevant Obligations (or, if two or more entities succeed to an equal percentage of Relevant Obligations, the entity from among those entities which succeeds to the greatest percentage of obligations of the Reference Entity) will be the sole Successor; and
- (b) with respect to a Sovereign Reference Entity, each entity as determined by the Calculation Agent which becomes a direct or indirect successor to such Reference Entity by way of a Succession Event, irrespective of whether any such successor assumes any of the obligations of such Reference Entity;

"Supranational Organisation" means any entity or organisation established by treaty or other arrangement between two or more Sovereigns or the Sovereign Agencies of two or more Sovereigns and includes, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development;

"Suspension Event" means the Calculation Agent determines that a public announcement has been made by ISDA that the conditions to convening a Credit Derivatives Determinations Committee to Resolve the matters described in sub-paragraphs (a) and (b) of the definition of "Credit Event Resolution Request Date" are satisfied in accordance with the Rules and such announcement relates to a Reference Entity and Credit Event under the Notes;

"Suspension Event Cessation Date" means, with respect to a Suspension Event, the date on which the Calculation Agent determines that ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved (a) the matters described in the definition of "Suspension Event" or (b) not to determine such matters;

"Trade Date" means the date specified as such in the applicable Final Terms;

"Transferable" means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction provided that none of the following shall be considered contractual, statutory or regulatory restrictions:

- (a) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); or
- (b) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds;

"Undeliverable Loan Obligations", "Undeliverable Obligations" and "Undeliverable Participations" shall each have the meaning specified in Condition 3(i)(ii) of these Credit Linked Conditions;

"Underlying Obligation" has the meaning set out in the definition of "Qualifying Guarantee";

"Underlying Obligor" has the meaning set out in the definition of "Qualifying Guarantee";

"Valuation Date" means:

- (a) if **"Single Valuation Date"** is specified in the applicable Final Terms, subject to Condition 5 of these Credit Linked Conditions, the date that is the number of Business Days specified in the Final Terms (or, if the number of Business Days is not so specified, five Business Days) following the satisfaction of all Conditions to Settlement (or, if **"Cash Settlement"** is applicable pursuant to the Fallback Settlement Basis in accordance with Condition 4 of these Credit Linked Conditions, the date that is the number of Business Days specified in the applicable Final Terms (or, if the number of Business Days is not so specified, five Business Days) following the relevant Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable); and
- (b) if **"Multiple Valuation Dates"** is specified in the applicable Final Terms, subject to Condition 5 of these Credit Linked Conditions, each of the following dates:
 - (i) the date that is the number of Business Days specified in the Final Terms (or, if the number of Business Days is not so specified, five Business Days) following the satisfaction of all Conditions to Settlement (or, if **"Cash Settlement"** is applicable pursuant to the Fallback Settlement Basis in accordance with Condition 4 of these Credit Linked Conditions, the date that is the number of Business Days specified in the applicable Final Terms (or, if the number of Business Days is not so specified, five Business Days) following the relevant Auction Cancellation Date, if any, or No Auction Announcement Date, if any, as applicable); and
 - (ii) each successive date that is the number of Business Days specified in the Final Terms (or, if the number of Business Days is not so specified, five Business Days) after the date on which the Calculation Agent obtains a Market Value with respect to the immediately preceding Valuation Date.

When "**Multiple Valuation Dates**" is specified in the applicable Final Terms, the total number of Valuation Dates shall be equal to the number of Valuation Dates specified in the Final Terms (or, if the number of Valuation Dates is not so specified, five Valuation Dates).

If neither "**Single Valuation Date**" nor "**Multiple Valuation Dates**" is specified in the applicable Final Terms, Single Valuation Date shall apply;

"**Valuation Method**" means Market, Highest, Average Market, Average Highest, Blended Market, Blended Highest, Average Blended Market or Average Blended Highest, as specified in the applicable Final Terms or, if not specified, as otherwise determined in accordance with Condition 2(c) of these Credit Linked Conditions;

"**Valuation Obligation**" means one or more obligations, as selected by the Issuer in its sole and absolute discretion, provided such obligation(s) are either a Reference Obligation and/or would constitute a Deliverable Obligation as at the Valuation Date;

"**Valuation Time**" means such time as is specified in the applicable Final Terms or, if no time is specified, 11:00 a.m. in the principal trading market for the relevant Valuation Obligation;

"**Voting Shares**" shall mean those shares or other interests that have the power to elect the board of directors or similar governing body of an entity; and

"**Weighted Average Quotation**" means, in accordance with the Quotation Method, the weighted average of firm quotations obtained from Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Valuation Obligation(s) with an aggregate outstanding principal balance of as large a size as available but less than the Quotation Amount (but of a size equal to the Minimum Quotation Amount or, if quotations of a size equal to the Minimum Quotation Amount are not available, quotations as near in size as practicable to the Minimum Quotation Amount) that in the aggregate are approximately equal to the Quotation Amount.

SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

Clearing System Accountholders

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

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

Exchange of Rule 144A Global Note Certificates for Regulation S Global Note Certificates

Beneficial interests in the Regulation S Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time.

Beneficial interests in the Rule 144A Global Notes Certificates may only be held through DTC at any time. By acquisition of a beneficial interest in a Rule 144A Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a "qualified institutional buyer" (in reliance on, and as defined by, Rule 144A) and that, if in the future it determines to transfer such beneficial interest in accordance with the procedures and restrictions contained in the Agency Agreement.

Beneficial Interests in the relevant Global Note Certificate will be subject to certain restrictions on transfer set forth in such relevant Global Note Certificates and in the Agency Agreement, and with respect to the Rule 144A Global Note Certificate, as set forth in Rule 144A. The Rule 144A Global Note Certificate will bear the legends regarding such restrictions set forth in "Transfer Restrictions". Beneficial interests in the Rule 144A Global Note Certificate, may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) from the transferor to the effect that the transfer is being made in accordance with Regulations S.

Any beneficial interest in the Rule 144A Global Note Certificate, that is transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate will, upon transfer, cease to be an interest in the Rule 144A Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of further Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Except in the limited circumstances described below, owners of beneficial interests in either of the Global Note Certificates will not be entitled to receive physical delivery of Individual Note Certificates.

Exchange of Global Note Certificates for Individual Note Certificates

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

If:

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

then at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) each Accountholder shown in the records of Euroclear and/or Clearstream, Luxembourg (or any other relevant clearing system) as being entitled to interest in the Notes shall acquire under the Deed of Covenant rights of enforcement against the Issuer ("**Direct Rights**") to compel the Issuer to perform its obligations to the Holder of the Global Note Certificate in respect of the Notes represented by the Global Note Certificate, including the obligation of the Issuer to make all payments when due at any time in respect of such Notes in accordance with the Conditions as if such Notes had (where required by the Conditions) been duly presented and surrendered on the due date in accordance with the Conditions.

The Direct Rights shall be without prejudice to the rights which the Holder of the Global Note Certificate may have under the Global Note Certificate or otherwise. Payment to the Holder of the Global Note Certificate in respect of any Notes represented by the Global Note Certificate shall constitute a discharge of the Issuer's obligations under the Notes and the Deed of Covenant to the extent of any such payment and nothing in the Deed of Covenant shall oblige the Issuer to make any payment under the Notes to or to the order of any person other than the Holder of the Global Note Certificate.

As a condition of any exercise of Direct Rights by an Accountholder, such Accountholder shall, as soon as practicable, give notice of such exercise to the Holders of the Notes of the same Series in the manner provided for in the Conditions or the Global Note Certificate for notices to be given by the Issuer to Noteholders .

Conditions applicable to Global Note Certificates

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

Payments/Deliveries

All payments or deliveries, as the case may be, in respect of the Global Note Certificate will be made against presentation for endorsement of the Global Note Certificate to or to the order of any Paying Agent

and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest or delivery of any Deliverable Obligation Entitlement (in the case of certain Credit Linked Notes), as applicable, is made in respect of the Global Note Certificate, the Issuer shall procure that the payment or delivery, as the case may be, is noted in a schedule thereto.

Payment Business Day

In the case of a Global Note Certificate, the Payment Business Day shall: if the currency of payment is euro, be any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, be any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

Record Date

Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "Clearing System Business Day" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

Exercise of put option

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

Partial exercise of call option

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

Write Off of Subordinated Notes

Where any Subordinated Notes are represented by a Global Note Certificate, the Fiscal Agent or the Registrar shall, upon the occurrence of any Write Off, annotate such Global Note Certificate with the amount of interest cancelled and the amount of principal written down (if any) on such date, whereupon the principal amount of the Subordinated Notes represented by such Global Note Certificate shall (save in the case of manifest error) for all purposes be as annotated.

On the occurrence of a Write Off, the Subordinated Notes in respect of which a principal amount is to be Written Off pursuant to Condition 12 will be determined in accordance with the standard procedures of Euroclear, Clearstream, Luxembourg, DTC or an Alternative Clearing System, as applicable (to be reflected in the records of Euroclear, Clearstream, Luxembourg, DTC or such Alternative Clearing System as a pool factor).

Notices

Notwithstanding Condition 21 (*Notices*), while all the Notes are represented by a Global Note Certificate and the Global Note Certificate is deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, notices to Noteholders may be given

by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 21 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Physical settlement of Credit Linked Notes

Any Deliverable Obligation Entitlement in respect of Credit Linked Notes will be delivered at the risk of the relevant Accountholder, in the manner provided below on the applicable Delivery Date.

Delivery of the Deliverable Obligation Entitlement(s) will (subject as provided below) be made against presentation or surrender, as the case may be, of the relevant Global Note Certificate at the specified office of any Paying Agent outside the United States. A record of each delivery made against presentation or surrender of such Global Note Certificate will be made on such Global Note Certificate on behalf of the Issuer by the Paying Agent to which such Global Note Certificate is presented for the purpose of making such delivery, and such record shall be prima facie evidence that the delivery in question has been made.

The holder of a Global Note Certificate shall be the only person entitled to receive delivery of the relevant Deliverable Obligation Entitlement(s) in respect of Credit Linked Notes represented by such Global Note Certificate and the Issuer will be discharged by delivery to, or to the order of, the holder of such Global Note Certificate in respect of each amount so delivered. Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, DTC and/or any other relevant clearing system as the beneficial holder of a particular nominal amount of Credit Linked Notes represented by such Global Note Certificate must look solely to Euroclear, Clearstream, Luxembourg, DTC and/or any other relevant clearing system as the case may be, for his share of each delivery so made by the Issuer to, or to the order of, the holder of such Global Note Certificate. No person other than the holder of such Global Note Certificate shall have any claim against the Issuer in respect of any deliveries due on that Global Note Certificate.

For the avoidance of doubt, each Asset Transfer Notice must be delivered to the Issuer via the relevant clearing system by such method of delivery as the relevant clearing system shall have approved. After delivery of a valid Asset Transfer Notice, no transfers of the Notes specified therein which are represented by a Global Note Certificate may be effected by any relevant clearing system. In addition to information required pursuant to Condition 3(k) of the Credit Linked Conditions, such Asset Transfer Notice must specify the number of the Accountholder's account at the relevant clearing system to be debited with such Notes and irrevocably instruct and authorise the relevant clearing system to debit the relevant Noteholder's account with such Notes on the due date for redemption in whole or in part of the Notes.

DESCRIPTION OF NEDBANK LIMITED

Overview

Nedbank Limited (the "**Issuer**" or the "**Bank**"), is one of the four leading banks in South Africa (measured by total assets), and is wholly owned by Nedbank Group Limited ("**Group Limited**", together with its subsidiaries, the "**Group**"). The Bank's non-redeemable, non-cumulative, non-participating preference shares and the ordinary shares of Group Limited are listed on the JSE Limited ("**JSE**"). The majority shareholder of Group Limited is Old Mutual plc ("**Old Mutual**"), a public company with liability limited by shares incorporated in England and Wales (registration number 3591559). As at 31 December 2013, the Bank had total assets of R699 billion (R645 billion as at 31 December 2012) and the Bank's profit attributable to equity holders of the Group, amounted to R7.2 billion for the year ended 31 December 2013, up from R6.4 billion as at 31 December 2012.

The Bank's headquarters are in Sandton, Johannesburg, with large operational centres in Durban and Cape Town. Banking facilities of the Bank include 763 full service branches and 3,382 ATMs. Facilities are located throughout South Africa and other Southern African countries. Services are offered through the Bank's subsidiary and/or affiliated banks, as well as through branches and representative offices in certain key global financial centres that serve to meet the international banking requirements of the Bank's South African-based multinational clients. The Bank also offers full-service electronic, internet and digital banking to all clients.

The Bank holds a full banking licence granted by the South African Registrar of Banks (the "**Registrar of Banks**") under the Banks Act, 1990 (the "**Banks Act**") and is an authorised financial services provider under the Financial Advisory and Intermediary Services Act, 2002, as well as an authorised credit provider under the National Credit Act, 2005. The Bank is an authorised dealer in foreign exchange in terms of the Exchange Control Regulations, 1961 promulgated under the Currency and Exchanges Act, 1933. The Bank is a central securities depository participant in Strate Limited (the authorised central securities depository for the electronic settlement of JSE-listed and certain other financial instruments in South Africa), and is a full member of the JSE, under the Financial Markets Act 2012.

The Bank's registered office is located at 135 Rivonia Road, Sandown, 2196, PO Box 1144, Johannesburg, 2000, South Africa. The telephone number is +27 (011) 294 4444.

The Bank is registered as a public company with limited liability with registration number 1951/000009/06 under the Companies Act, 2008.

History

The Bank can trace its origins back to the late nineteenth century. In 1999, the South African Mutual Life Assurance Society, Group Limited's majority shareholder at the time, was demutualised and Old Mutual group was formed with a registered office in the United Kingdom, a primary listing on the London Stock Exchange plc ("**LSE**") and a secondary listing, *inter alia*, on the JSE as Old Mutual. In August 1999, Nedcor Investment Bank ("**NIB**") was listed on the JSE and the Namibian Stock Exchange, with Nedcor Limited maintaining a majority shareholding. Edward Nathan & Friedland, a South African law firm, was acquired by NIB in 1999.

In 2000, Nedcor Bank Limited acquired FBC Fidelity Bank Limited and integrated the Peoples Bank and Nedenterprises divisions into that entity. FBC Fidelity Bank Limited later changed its name to Peoples Bank Limited. Peoples Bank Limited then changed its name to Peoples Mortgage Limited in 2005 after the cessation of banking activities and the return of its banking licence.

In July 2002, Nedcor Limited acquired BoE Limited, which at that time owned the sixth largest bank in South Africa by assets, BoE Bank Limited (source: SARB DI900 Report, July 2002). The NIB minority shares were acquired by Nedcor Bank Limited in October 2002 and NIB was delisted. Nedcor Bank Limited changed its name to Nedbank Limited in November 2002.

On 1 January 2003, following approval from the Registrar of Banks, the Bank acquired all the assets of Cape of Good Hope Bank Limited, the banking operations of Nedcor Investment Bank Limited and the banking operations of BoE Bank Limited.

On 31 October 2004, Nedcor Limited sold Edward Nathan & Friedland.

Nedcor Limited was renamed Nedbank Group Limited with effect from 13 May 2005.

Nedbank Group Limited acquired the remaining shares previously held in joint ventures with Old Mutual in BoE Private Clients, Nedgroup Life Assurance Company and Fairbairn Private Bank with effect from 1 June 2009 and Nedbank Wealth was constituted as a new cluster and reported separately from 2010.

On 16 September 2009, the Bank announced that an agreement had been reached with Imperial Financial Holdings Limited ("**IFH**"), a 100 per cent held subsidiary of Imperial Holdings Limited, to acquire IFH's shareholding of the ordinary shares in Imperial Bank Limited ("**Imperial Bank**") (the "**Acquisition**"), thereby constituting Imperial Bank as a wholly owned subsidiary of the Bank. Imperial Bank's earnings, assets and liabilities were transferred to the Bank's clusters following section 54 of the Banks Act approval in October 2010. Imperial Bank's Motor Finance Corporation ("**MFC**") was integrated into the Bank's Retail cluster, the Supplier Asset Finance & Professional divisions into Nedbank Business Banking, while Imperial Bank's Property division has been incorporated into the Nedbank's Corporate Commercial Property Finance division.

Business of the Bank

In the financial year ended 31 December 2013, the Bank comprised 93 per cent of the assets of the Group (R699 billion out of R750 billion) and 83 per cent of the headline earnings of the Group (R7.2 million out of R8.7 million). The Bank is a universal bank focused on South Africa and Southern Africa and is positioned to be a bank for all customers. The Bank offers a wide range of wholesale and retail banking services through five main business clusters, namely Nedbank Capital, Nedbank Corporate, Nedbank Business Banking, Nedbank Retail and Nedbank Wealth. The principal services offered by the Bank comprise business, corporate and retail banking, commercial property finance, investment banking, private banking, foreign exchange and securities trading. The Bank also generates income from private equity, credit card issuing and processing services, custodial services, insurance, unit trust administration, asset management services and wealth management. Following the announcement of the acquisition on 16 September 2009, Imperial Bank was integrated into three of the Bank's five client facing banking clusters: Nedbank Retail, Nedbank Business Banking and Nedbank Corporate. Each of its divisions is discussed in more detail below. The Bank also has six support functions, which are Group Strategy and Corporate Affairs, Group Risk and Balance sheet Management, Group Technology, Group Enterprise Governance and Compliance, Group Human Resources and Employment Equity and Group Finance.

Nedbank Capital

Overview

Nedbank Capital provides comprehensive investment banking, specialised finance, global markets and treasury solutions to institutional and corporate clients.

In the financial year ended 31 December 2013, Nedbank Capital contributed 24 per cent (R1,726 million) of the Bank's headline earnings.

Operations

Nedbank Capital has the following client facing business units:

- Investment Banking;
- Specialised Finance;
- Treasury;
- Equity Capital Markets;
- Debt Capital Markets;
- Global Markets;
- London Operation; and
- Nedcor Securities (Pty) Limited ("**Nedcor Securities**") (which is a separate legal entity held within the Group but not part of the Bank).

The Investment Banking Division houses the Bank's corporate finance, private equity and sector-focused bankers who originate transactions across the entire Nedbank Capital product spectrum. The division includes a dedicated mergers and acquisitions research team and a unit providing JSE sponsor services to companies relating to their continuing regulatory obligations as well as managing the Private Equity portfolio of listed and unlisted investments.

The business has successfully completed a number of renewable energy deals and its deal pipeline in Africa continues to increase.

Specialised Finance provides tailored debt financing solutions through a range of industry focused teams, namely energy project finance, mining and resources, infrastructure project finance, acquisition and leveraged finance and structured trade and commodity finance. The division's target is to provide solutions to South Africa's top 200 corporates and leading institutions, as well as entities undertaking major projects in Africa.

Debt Capital Markets deals with securitisation, credit derivatives, the asset-backed conduit and bond origination businesses and provides interest rate solutions.

Equity Capital Markets, the equity derivatives operation, provides hedging and structuring services to corporate, institutional and retail clients. This division exploits the synergies between trading and structuring equities and facilitates BEE transactions.

Global Markets focuses on providing the Bank's client base with currency, interest rate derivative and bond-related products as well as proprietary trading in the various markets.

Treasury is the Bank's funding interface with financial and investment markets, locally and internationally. All the Bank's local and foreign currency funding requirements are executed and managed through this unit.

Nedgroup Securities is the institutional equities business of the Bank. It provides research, sales and trading services to major institutions.

Strategy

Nedbank Capital will continue to focus on the needs of its clients by providing them with customised and innovative solutions. This leverages off the solid platform built in 2012 and 2013, while expanding in key strategic business areas.

Client-centredness continues to be the driving force within the business, and the coverage and origination team, together with senior bankers across the cluster, will play an important role in ensuring that clients are provided with full-spectrum solutions from the investment banking and trading businesses, as well as the wider Group.

Nedbank Capital will continue to entrench its existing market-leading position in infrastructure, energy and resource finance, building the business domestically and in Africa while leveraging the existing brand position in green products and solutions. Deep expertise in renewable-energy financing will be used to provide clients with sustainable funding solutions, and increasingly opportunities for collaboration will be sought to ensure a full-spectrum client offering. This includes leveraging the Ecobank alliance to identify opportunities in Africa. African trade flows continue to provide opportunities for the businesses to provide clients with integrated solutions.

The attraction, retention and development of talented people continue to be the cornerstones of Nedbank Capital's strategy.

Internal efficiency initiatives will continue to be implemented, combined with effective risk management to impact the entire Bank positively.

Focus areas

The Group is cautiously optimistic regarding the outlook for 2014. Given Nedbank Capital's consistent and stable earnings platform and the quality lending book Nedbank Capital has in place, the focus of the business of Nedbank Capital in the coming year will be on enhancing collaborative transactions and cross-selling, deal pipeline conversion, and leveraging Nedbank Capital's strong market position for green financing solutions.

Disciplined and proactive risk management will continue to underpin all of these endeavours. In addition, Nedbank Capital will place emphasis on providing additional services to complement its existing expertise, with ongoing expansion into Africa enabled by a closer working relationship with Ecobank in Nedbank Capital's key focus sectors.

Nedbank Corporate

Overview

Nedbank Corporate comprises Corporate Banking, Property Finance and the specialist businesses of Transactional Banking and Shared Services. These businesses focus mainly on providing lending, deposit-taking transactional banking solutions, and trade finance services to wholesale banking clients with turnover of over R700m per annum.

Nedbank Corporate is well-placed to grow and optimise business opportunities in the private and public sector markets, by leveraging its client base and providing solutions through experienced teams.

Nedbank Corporate provides corporate banking and commercial property finance solutions, to small, medium and large corporates. In the financial year ended 31 December 2013, Nedbank Corporate contributed 31 per cent (R2,245 million) of the Bank's headline earnings. In the financial year ended 31 December 2012, Nedbank Corporate contributed 28 per cent (R1,817 million) of the Bank's headline earnings.

Operations

Nedbank Corporate comprises the following client-focused businesses:

- Corporate Banking, which services companies with an annual turnover in excess of R700 million and generates business through lending, transactional banking fee income opportunities, wholesale funding, custodial services and global trade activities.

- Property Finance, which specialises in commercial and industrial property finance in the medium to large corporate market. The division also has a private equity property portfolio that takes an equity share in property developments in partnership with selected clients.

Nedbank Corporate also includes the following specialist businesses:

- Nedbank Investor Services, which provides custodial services to entities trading on the JSE and facilitates share-lending activities.
- Transactional Banking, which provides product development and support, and specialist transactional banking solutions and services to Business Banking and Corporate Banking clients, working closely with the relationship banking teams.
- Corporate Shared Services, which provides transaction execution services for local and foreign payment and trade activities and client service centres.

Strategy

Nedbank Corporate's core strength is in providing personalised relationship-based banking services and solutions to the wholesale market. This is achieved by ensuring a thorough understanding of the banking needs of clients and the markets in which they operate, and delivering appropriate banking solutions.

Key strategic focus areas include:

- Growing sustainable economic profit through value-driven strategies.
- Increasing client acquisition and share of wallet through new products, innovation and cross-selling of services and/or products.
- Selective asset and liability growth.
- Continuing to contribute to business sustainability and transformation through the funding of black economic empowerment and green initiatives.
- Achieving a step change in NIR by aligning the cluster's sales force and profitable products to the appropriate clients and business sectors.
- Embedding risk and capital management imperatives in planning, performance management and pricing.
- Continuing to focus on driving efficiencies while maintaining investment for future business growth.
- Developing leaders and managing talent.

Focus areas

The still subdued global economic environment, coupled with a growing realisation that the tough economic conditions are likely to persist, is evident in the continued investment caution shown by South African corporates and muted growth in the country's commercial property sector.

Despite this challenging environment, the Bank is confident of the ability of Nedbank Corporate to continue to build momentum in the coming year. This will be driven by Nedbank Corporate's stated strategy of client-driven solutions, growth in NIR and proactively seeking out opportunities for growth and project execution, as well as a continued focus on transformation.

Nedbank Business Banking

Overview

Nedbank Business Banking services medium-sized businesses with an average annual turnover of R7.5 million to R700 million. Typically these businesses tend to be family-owned and geographically dispersed.

During the financial year ended 31 December 2013, Nedbank Business Banking contributed 13 per cent (R929 million) to the Bank's headline earnings.

Operations

Nedbank Business Banking operates through a well-entrenched, decentralised, accountable business service model, which uniquely positions the business to deliver personalised relationship banking based on local knowledge and a deep understanding of clients' businesses.

Client service teams, comprising sales, service and credit specialists, are located in offices around the country, ensuring quick responses to client requests and early identification of risks and service opportunities. The client service teams are supported by product specialists who facilitate more complex client needs, including specialist finance, invoice discounting, transactional banking, card acquiring and asset management.

Strategy

The primary strategic thrust for Nedbank Business Banking is to continue its journey of business transformation and growth and leading in business banking in South Africa as measured across the key dimensions of staff, clients (including primary-banked market share) and financial performance. Nedbank Business Banking plays an important role in South Africa through its contribution towards enterprise development, job creation and community upliftment in the broader context of sustainable development.

Focus areas

In the short-term earnings growth continues to be challenging in a low-growth economy, where the GDP is forecast at 2.6% for 2014. Nedbank Business Banking remains committed to the principles that have enabled consistently high returns on equity and an excellent CLR experience.

The excellent collaboration with Nedbank Retail in focusing on the small-business sector, expanding in key growth nodes, and optimising costs and footprint through the integrated-channel strategy is proving very valuable in enhancing the client experience and unlocking growth opportunities such as through Nedbank @ Work which aims to bank the employees, management and/or owners of the businesses that we bank.

Emphasis is also on removing variability in the delivery of distinctive client-centred offerings and lowering cost to serve while remaining committed to the decentralised, accountable business service model and 'influencer' strategy to unlock the virtuous circle of the business owners, their business and employees, which are recognised by Nedbank Business Banking's clients as compelling differentiators.

With Nedbank Business Banking's highly committed, values-driven team of people, Nedbank Business Banking remains outwardly focused to partner with its clients for growth for a greater South Africa.

Nedbank Retail

Overview

Nedbank Retail provides full-service retail banking to individuals and small businesses with turnover less than R7.5m. The cluster comprises retail banking services; relationship banking; retail consumer banking;

small business services; home loans; personal loans; cards; vehicle and asset finance and transactional and investment products.

Nedbank Retail provides financial services to individuals and small businesses through various transactional, credit card and debit cards, lending, investment and insurance products. The clients that Nedbank Retail serves are broadly grouped into five primary segments, namely the affluent, middle, entry-level-banking, youth and small-business segments. Individual clients are segmented on an income basis and small businesses on turnover.

In the financial year ended 31 December 2013, Nedbank Retail contributed 35 per cent (R2,539 million) of the Bank's headline earnings.

Operations

The Nedbank Retail business operating model is organised around its product and client segment areas, overlaid by servicing and delivery channels. Four client facing segments underpin its business: Relationship banking (which includes private banking and small business services), Consumer banking (which includes the mass- and middle-market segments), Secured lending and Card services.

Retail Shared Services provides support to the Retail cluster, including human resources, finance, projects, strategic planning and business intelligence services.

Retail Risk is responsible for the monitoring of compliance and all risks, including credit and operational risks, and for providing legal services to the cluster. This function reports directly to the head of Retail.

Retail Marketing provides marketing support to the business divisions and assists in coordinating marketing activities across the Bank and the broader Group.

Nedbank Retail operates through 573 full-service branches and clients have access to 3,382 ATMs, 190 In-retailer outlets and 287 personal-loan kiosks providing a range of banking services. The Bank also offers full-service internet banking as standard for all clients.

Strategy

Following a thorough strategic review of the retail business and landscape, Nedbank Retail started charting a new path to sustainable profitable growth in 2010.

Nedbank Retail's strategic intent is to 'deliver a choice of distinctive, client-centred banking experiences' for all in South Africa that build many deep, enduring client relationships, underpinned by sound risk management, with people, processes and technology aligned with this strategic intent. The cohesive strategy is to leverage existing product and people strengths as well as strong wholesale client relationships to capture a fair share of an attractive, large and growing retail economic profit (EP) pool. However, the underpriced, poorer quality home loans contained in the 2006 to 2008 book will continue to drive 50 per cent of the cluster's impairments.

To deliver on this strategic intent 12 step change initiatives were identified to guide the implementation roadmap and carefully orchestrate activities so as to maintain the growth momentum of product niches while evolving the business to be more integrated and client-centred.

The turnaround of Nedbank Retail is well under way and gaining momentum. Having addressed the secured lending impairment challenges of the backbook by embedding appropriate risk management practices, Nedbank Retail has laid strong foundations for sustainable earnings growth.

Focus areas

The prospects for Nedbank Retail are positive, notwithstanding the uncertainty surrounding economic growth, the effect of administered prices, interest rates and job creation as Nedbank Retail continues to deliver on its strategic focus areas.

Any further worsening of the macroeconomic climate for consumers – as seen in the last quarter of 2012 – could impact the pace of Nedbank Retail's financial progress, as Nedbank Retail aims towards a return above the cost of equity by the end of 2014.

Achieving this requires continued careful orchestration of the strategic choices to balance the expansion of the franchise optimally with revenue opportunities and cost optimisation, as Nedbank Retail leads its 18 000 staff in building deep enduring banking relationships with all in South Africa and enables Nedbank Retail's clients to achieve their aspirations and financial goals.

Nedbank Wealth

Overview

Nedbank Wealth provides services across Retail, Business and Corporate Banking as well as the high-net-worth segment and independent financial adviser market. The businesses within Nedbank Wealth encompass life assurance, short-term insurance, financial planning, stockbroking, insurance brokerage, private banking, fiduciary services and asset management.

In the financial year ended 31 December 2013, Nedbank Wealth contributed 13 per cent (R900 million) of the Bank's headline earnings.

Operations

Nedbank Wealth comprises four divisions:

Insurance

- Nedgroup Life Assurance Company – provides credit life protection for death, disability and retrenchment as well as simple savings and investment products;
- Nedbank Group Insurance Brokers – facilitates and brokers a variety of short-term insurance products into the Nedbank client base; and
- Nedgroup Insurance Company – provides short-term insurance, including homeowner's insurance and personal accident cover.

Asset Management

- Nedgroup Investments – supplies a range of South African and offshore best-of-breed unit trusts and investment solutions; and
- Nedbank Asset Management – provides both active and multi-managed asset management and investment solutions to the high-net-worth market.
- Cash Solutions - providing cash solutions for corporates and institutions

Wealth Management (Africa)

- Nedbank Private Wealth – offers a fully integrated spectrum of services, including investment management, financial and retirement planning, private lending facilities, call, notice and fixed-term deposits, tax and estate planning, and transactional banking;
- Trust and Fiduciary services – provides high-net-worth trust and fiduciary services;

- Financial Planning – provides professional advice on financial and assurance products; and
- Stockbroking – offers trading in JSE listed instruments, portfolio management, research and offshore investments.

Wealth Management (UK and Middle East)

- Nedbank Private Wealth International – offers private banking, investment and corporate services, with offices in the United Kingdom and Middle East, on the Isle of Man and Jersey; and
- International Fiduciary and Trust Services – provides trust management services for the Old Mutual Group, the high-net-worth segment and the independent financial adviser market.

Strategy and focus areas

- Brand consolidation complete. Focus on brand profiling and delivering net client cash-flow growth through distinctive service and enhanced value proposition
- New product development & systems. Leverage cross-sell opportunity within the Group. Client centred one journey.
- Growth momentum in existing offerings. Investigate complimentary alternative growth opportunities.
- Facilitate collaboration, innovation and investment opportunities. Performance optimisation.

Group and Bank objectives for 2014 and beyond

Staff

- Driving transformation to create a diverse workforce in an inclusive environment.
- Development and retention of key black talent through recruitment, retention and accelerated development.
- Continued enabling of a unique, innovative and client-centred culture through the development of a long-term employee engagement strategy with the aim of activating Nedbank brand ambassadors to enhance the client experience.
- Ongoing building of personal and team leadership effectiveness through the Leading for Deep Green (LFDG) programme.
- Embedding the Integrated Talent Framework – including succession planning and talent acquisition, together with revitalising the EVP.
- Reviewing and enhancing the Nedbank reward, performance and benefits strategies in support of a differentiated employee proposition.
- Creating a learning organisation to support employee development and the achievement of business objectives.
- Building functional expertise in prioritised job roles through job-family-related learning academies.

Clients

- Retaining and growing primary-banked clients and increasing share of wallet, emphasising portfolio tilt.
- Ongoing repositioning of Nedbank Retail.

- Becoming the leader in business banking for South Africa.
- Becoming the public sector bank of choice.
- Continuing as one of the top two wholesale banks.
- Ramping up the wealth management, asset management and insurance businesses.
- Delivering on the creation of a single Nedbank.
- Further developing the Group's high-net-worth proposition.
- Continuing to focus on client needs and the provision of customised and innovative solutions.
- Continuing to leverage the existing brand position in green products and solutions.
- Exploring new growth opportunities within South Africa and across the continent and further leveraging the alliance with Ecobank.

Shareholder Value Creation

- Further progressing towards meeting medium-to-long-term financial targets
- Grow the transactional banking franchise.
- Optimise to invest.
- Client-centred innovation.
- Strategic portfolio tilt.
- Rest of Africa.

Regulators

- Maintain good, regular and transparent relationships with all regulators.
- Ensure compliance with all legal and regulatory requirements.

Communities

- Maintain the Group's step change focus on more holistically integrating sustainability initiatives and considerations into all business activities
- Continue to pursue carbon awareness, measurement and reduction and maintain our carbon-neutral status as a key component of our climate change journey
- Further reduce resource consumption
- Consistently deliver on transformation as a vital component of becoming a truly South African bank

Competition

In South Africa, there are currently 10 registered banks with local control, six registered banks with foreign control, 13 branches of foreign banks, three mutual banks and 41 representative offices of foreign banks. As at 31 December 2013, the South African banking sector had total assets of R3,838 billion according to statistics published by the South African Reserve Bank (the "**SARB**") (source: SARB BA900 Report, December 2013).

The Bank's principal competitors are Barclays Africa Group Limited, FirstRand Bank Limited and The Standard Bank of South Africa Limited. Apart from the Bank, these represent the largest banks in South Africa. The following table sets out total assets and capital and reserves for each as at 31 December 2013:

| | Total Assets | Capital and Reserves |
|--|---------------------|-------------------------------------|
| | (Rm) | |
| The Standard Bank of South Africa Limited..... | 809,792 | 75,882 |
| ABSA Bank Limited | 661,225 | 53,873 |
| FirstRand Bank Limited..... | 656,513 | 59,840 |
| Nedbank Limited | 583,348 | 46,636 |

(source: SARB BA900 Report, December 2013)

Competitive Strengths

Strong corporate and investment banking franchise

The Bank offers a wide range of commercial, investment and retail banking products, thereby diversifying its revenue sources. The Bank is one of the four major South African banks and has an 18 per cent market share in deposits and an 18 per cent market share in loans and advances (source: SARB BA900 Report, December 2013). The Bank is also a leading player in commercial property finance with a 40 per cent market share (source: SARB BA900 Report, December 2013). Despite having a smaller retail franchise than its peers, the Bank's 18 per cent share of the deposit market is well ranked amongst its peers with relatively larger retail franchises and the Bank's retail deposits as a percentage of its total deposits at 18% is higher than the peers' at 17%.

Leader in sustainability matters

The Bank is widely recognised for its achievements and contribution to corporate social responsibility in South Africa and environmental issues. Major successes include Financial Times 2012 Sustainable Bank of the Year for Africa and Middle East award, African Business Environmental Sustainability in Africa 2012 award, Financial Times Bank of the Year awards in 2011 and Euromoney Bank of the Year in 2012, funding a large percentage of South Africa's renewable energy programme and the introduction of Nedbank's Green Savings Bond, inclusion in the Dow Jones Sustainability and JSE SRI indices for six consecutive years (2006-2012), being the first African bank to implement the Equator Principles and being the first signatory to the United Nations Environmental Programme Finance Initiative. The Bank holds a leadership position in both corporate social investment (through innovative programmes such as the Client Local Hero programme) and in the environmental space through the Bank's partnership with the WWF, the offering of Green affinity accounts, the adoption of the Equator Principles and internal progress around waste management and water and energy savings initiatives.

Risk management capabilities and compliance with Basel III

The Bank's management has placed significant focus on risk management and compliance Basel III. The Bank received approval from SARB to use, for regulatory capital purposes, the Advanced Measurement Approach for operational risk, effective from 2010, and to use the Internal Model Approach for market trading risk, effective from 2011. The Bank now has approval for all three of the major Pillar 1 risk approaches under Basel II, having received approval for using the Advanced Internal Ratings-based Approach for credit risk from the implementation date of Basel II in January 2008. The Bank also applies an economic capital framework to measure risk within the organisation and this comprehensive framework forms the basis of its economic profit based incentive schemes. On and with effect from 1 January 2013, Basel III was implemented in the South African regulatory framework, with various phase-in and

transitional arrangements until 1 January 2019. Basel III is being implemented by the Bank in line with domestic regulatory requirements and international best practice.

Client focus and service

Nedbank Retail has repositioned its business from a product focus to one of client-centricity. The Nedbank Retail business has been organised into four client-facing businesses, namely Consumer Banking, Retail Relationship Banking (a combination of Small Business Services and Nedbank Private Bank), Card and Secured Lending. Since 2009 significant investment in building the Nedbank Retail franchise has enabled an expansion in the distribution footprint, with 41% more branches and alternative outlets (a total of 763 excluding personal-loans kiosks) and 83% more ATMs (3 382 up from 1 853 in 2009), while also refurbishing 28 outlets in line with the innovative new Branch of the Future formats. This, together with improved digital and mobile channels, has made Nedbank much more accessible to all clients. The results of the wide ranging actions, including new client value propositions such as the "Ke Yona" and "Savvy" bundled account products amongst others, are reflected in the most recent CMATTM (Customer Management Assessment Tool) results, which have shown a substantial improvement in the overall score, with Retail's client management intentions benchmarked as worldclass in 2012. On the recent very rigorous SCHEMATA client satisfaction measure, Retail was ranked in the top 5 of 92 companies surveyed globally.

Affordable banking

The Retail Bank's Ke Yona bundled product, aimed at entry-level banking, remains one of the most competitively priced client value propositions in South Africa. In 2014, Nedbank Retail kept fees at 2013 levels across its products and services to offer further value given the tough consumer environment and to ensure fees remain competitive.

Corporate Structure

The Bank's authorised share capital is 30,000,000 ordinary shares with a par value of R1 each and 1,000,000,000 non-redeemable non-cumulative preference shares with a par value of R0.001 per share. As at 31 December 2013, the Bank had an issued share capital of 27,241,024 ordinary shares with a par value of R1 each and non-redeemable non-cumulative preference shares of 358,277,491 with a par value of R0.001 per share which are listed on the JSE under share code NBKP.

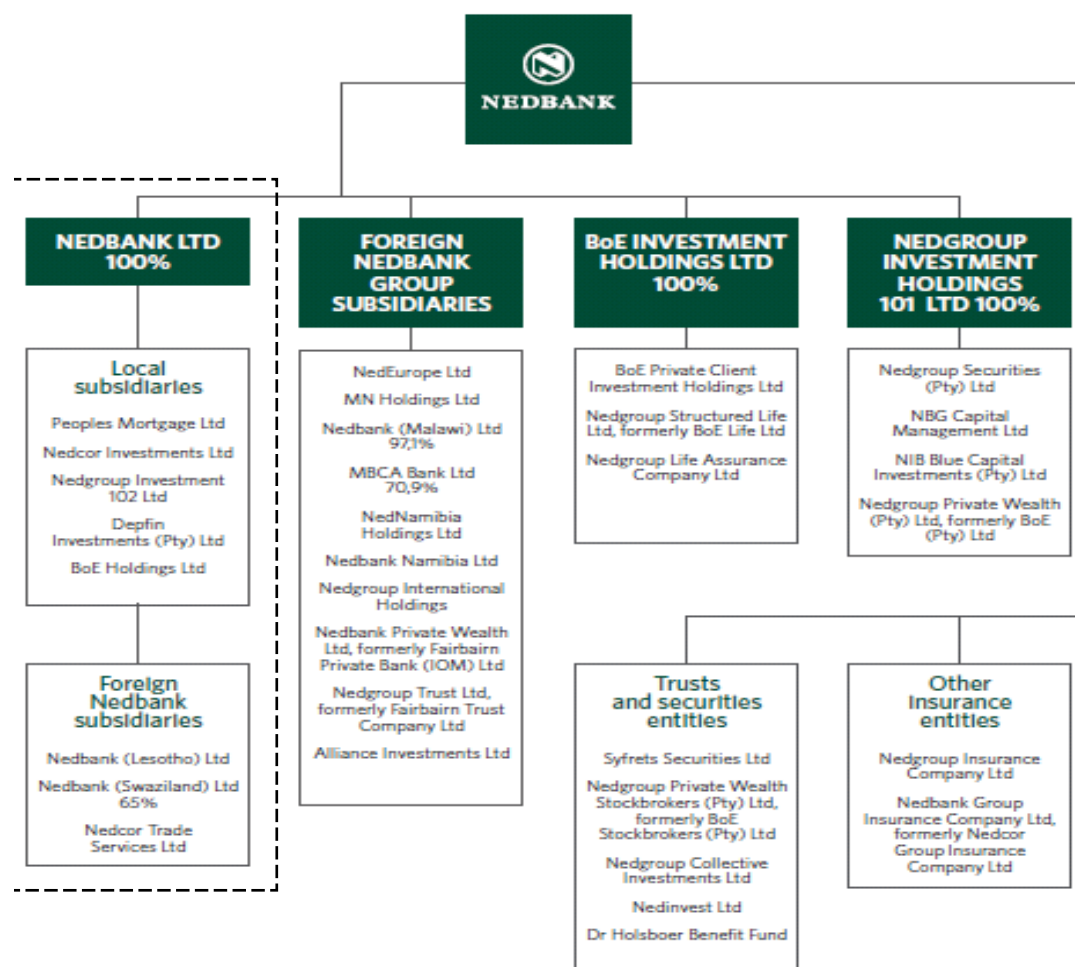
The Bank's issued shares are 100 per cent held by Group Limited. Group Limited is controlled by its major shareholder, Old Mutual, which has a primary listing on the London Stock Exchange. The relationship with Old Mutual is governed by means of a relationship agreement between Group Limited and Old Mutual (the "**Relationship Agreement**").

The Relationship Agreement sets out, amongst other things, that Group Limited will consult with Old Mutual and have regard to Old Mutual's strategic plans in devising its own strategy (including any material acquisitions or disposals or the raising of any significant amount of capital, whether common equity tier 1 capital, additional tier 1 capital or tier 2 capital, which should be consistent and aligned with that of Old Mutual and designed to maximise the long-term shareholder value of both entities and that Group Limited will update its strategic plan and business plan annually to accord with Old Mutual's three year planning cycle. The Relationship Agreement also sets out that Group Limited will report to Old Mutual in a timely fashion in relation to a number of matters including appropriate financial and operational information on its activities for the purposes of business planning, monthly management accounts, monthly asset liability committee reports, interim and full year accounts, forecasting and quarterly reforecasting and all other financial planning and management information as Old Mutual may reasonably require.

The Relationship Agreement includes provisions in respect of material changes to the terms of employment of directors and some other senior employees and to actively seek to identify, develop and exploit synergies, joint ventures, coordination of product design and opportunities for secondment of personnel and sharing of knowledge and expertise with other businesses in the Old Mutual group, for the mutual benefit of both parties. There are also details in relation to the maintenance of the Old Mutual shareholding if new shares are issued.

Group and Bank Structure including related subsidiary companies

The companies shown within dotted lines in the diagram below are the major active subsidiaries of the Bank:



Note: All subsidiaries are wholly owned unless stated otherwise.

As at 31 December 2013, the major shareholders of Nedbank Group Limited, which owns 100 per cent of the Bank, were as follows:

| | Number of shares | 2013 % holding | 2012 % holding |
|---|---------------------|-------------------|----------------------|
| Major shareholders/managers | | | |
| Old Mutual Life Assurance Company (SA) Ltd and associates | 265 490 771 | 52,03 | 52,31 |
| Nedbank Group treasury shares | 49 108 934 | 9,53 | 9,90 |
| BEE trusts: | | | |
| – Eyethu scheme – Nedbank SA | 22 531 022 | 4,42 | 4,55 |

| | Number of shares | 2013 % holding | 2012 % holding |
|--|---------------------|-------------------|----------------------|
| – Omufima scheme – Nedbank Namibia | 753 309 | 0,15 | 0,15 |
| Nedbank Group (2005) Share Option, Matched Share and Restricted Share Scheme | 11 062 042 | 2,17 | 2,29 |
| Nedbank Group Ltd and associates (Capital Management) | 14 715 049 | 2,88 | 2,90 |
| Nedbank Namibia Ltd | 47 512 | 0,01 | 0,01 |
| Public Investment Corporation (SA) | 32 502 268 | 6,37 | 7,27 |
| Cornation Fund Managers (SA) | 30 565 164 | 5,99 | 2,68 |
| Lazard Asset Management (US and UK) | 16 067 397 | 3,15 | 2,93 |
| Sanlam Investment Management (SA) | 9 937 801 | 1,95 | 1,96 |
| Investec Asset Management (SA) | 9 485, 499 | 1,66 | 1,45 |
| Government Institutions Pension Fund (NA) | 7 455 278 | 1,46 | 1,40 |
| Beneficial shareholders holding 5% or more | | | |
| Old Mutual Life Assurance Company (SA) Ltd and associates (SA) | 265 490 771 | 52,03 | 52,13 |
| Government Employees Pension Fund (SA) | 38 339 338 | 7,51 | 8,22 |
| Geographical distribution of shareholders | | | |
| Domestic | 443 191 472 | 86,85 | 86,37 |
| – SA | 435 580 625 | 85,36 | 83,64 |
| – Namibia | 5 101 359 | 1,00 | 1,90 |
| – Unclassified | 2,509,488 | 0,49 | 0,83 |
| Foreign | 67 110 92 | 13,16 | 13,63 |
| – United States of America | 40 554 064 | 7,95 | 8,17 |
| – United Kingdom and Ireland | 6 538 436 | 1,28 | 1,58 |
| – Europe | 7 527 330 | 1,48 | 1,60 |
| – Other countries | 12 491 091 | 2,44 | 2,28 |
| | 510 302 393 | 100 | 100 |

Management

The Group board of directors has a unitary structure comprising 15 directors. The Bank's board of directors ("**Board**") has the same structure and composition as the board of the Group, but separate board meetings are held in respect of the Bank.

Five of the eleven non-executive directors of the Board, including the Chairman, are not considered independent since they either serve as directors on the Board of the Group's ultimate holding company, Old Mutual, or are employees of Old Mutual. MA Enus-Brey and GT Serobe are not considered independent because of their relationship with Group Limited's BEE partners.

The directors come from diverse backgrounds and bring to the Board a wide range of experience in commerce, industry and banking including banking in Africa with the appointment of David Adamakoh. The non-executive directors and the strong independent composition of the Board provides for independent and objective input into the decision making process, thereby ensuring that no one director holds unfettered decision making powers. The directors have access to management, whenever required.

The directors who, in compliance with the terms of the memorandum of incorporation (previously known as the articles of association) of the Bank, retired by rotation and were subsequently re-elected at the annual general meeting ("AGM") on 03 May 2013 were: GWD Dempster, RK Morathi, JVF Roberts and MI Wyman.

David Adomakoh was appointed independent non-executive director of the Nebank Group and Nedbank Limited with the effect from 21 February 2014.

Board of Directors

| Name | Position as director | Principal Outside Activities |
|--------------|--|---|
| TA Boardman | Non-executive director | Non-executive director of Woolworths Holdings Ltd, Royal Bafokeng Holdings (Pty) Ltd, African Rainbow Minerals Ltd. and Kinnevik. Director of the Peace Parks Foundation and Chairman of the David Rattray Foundation |
| MWT Brown | Chief Executive | - |
| GW Dempster | Chief Operating Officer and executive director | - |
| MA Enus-Brey | Non-executive director | Director of Brimstone Investment Corporation Ltd and Oceana Group Ltd. |
| ID Gladman | Non-executive director | Group strategy director of Old Mutual plc |
| RJ Khoza | Chairman and non-executive director | Chairman of Aka Capital (Pty) Limited Non-executive director of Nampak Limited, Protea Group Limited and Old Mutual plc Chancellor of the University of Limpopo |
| PM Makwana | Independent non-executive director | Independent director of Adcock Ingram Ltd and Chairman of AccelorMittal SA Ltd. |
| NP Mnxasana | Independent non-executive director | Director of Winhold Ltd., JSE Ltd, Transnet SOC and Land and Agricultural Development Bank of SA Ltd. |
| RK Morathi | Chief Financial Officer and executive director | - |

| | | |
|-----------------------|------------------------------------|--|
| JK Netshitenzhe | Independent non-executive director | Executive director of the Mapungubwe Institute for Strategic Reflection and a member of the National Planning Commission. Member of the executive committee of the African National Congress and non-executive director of Life Healthcare Group Holdings Ltd. |
| JVF Roberts (British) | Non-executive director | Chief Executive of Old Mutual plc |
| GT Serobe | Non-executive director | Chief Executive of Wincapital Ltd and executive director of Wiphold Ltd. Non-executive director of Old Mutual Life Assurance Company (SA) Ltd. and JSE Ltd. |
| MI Wyman (British) | Senior independent director | Non-executive director of Imperial Tobacco plc and Tsogo Sun Holdings Ltd. |

Reference to independent directors is at the Group level. They are not classified as independent directors of the Bank by virtue of the fact that they are directors of Group Limited.

Executive Committee

The current members of the Group and Bank's executive committee (the "**Executive Committee**") are set out below:

| Name | Position | Principal Outside Activities |
|-------------|--|-------------------------------------|
| TP Adams | Group Managing Executive: Balance Sheet Management | - |
| JR Bestbier | Group Executive: Strategic Planning | - |
| MWT Brown | Chief Executive | - |
| GW Dempster | Chief Operating Officer | - |
| TSB Jali | Group Executive: Enterprise Governance and Compliance; Group Company Secretary | - |
| IG Johnson | Managing Executive: Retail and | - |

| | | |
|--------------|---|---|
| | Business Banking | |
| B Kennedy | Managing Executive: Nedbank Capital | - |
| D Macready | Managing Executive: Nedbank Wealth | - |
| RK Morathi | Chief Financial Officer | - |
| MC Nkuhlu | Managing Executive: Nedbank Corporate | - |
| SL Shabalala | Managing Executive: Business Banking | - |
| RT Sibeko | Group Executive: Group Marketing, Communication and Corporate Affairs | - |
| F Swanepoel | Chief Information Officer | - |
| AM Thebyane | Group Executive: Group Human Resources | - |
| CJ Thomas | Managing Executive: Consumer Banking, Nedbank Retail | - |
| PA Wessels | Chief Risk Officer | - |

Conflicts of Interest

Two of the Bank's non-executive directors namely Julian Roberts and Ian Gladman serve as executive officers of companies within Old Mutual. These persons therefore also owe duties in that capacity to those companies as well as to the Bank. In addition, Reuel Khoza and Gloria Serobe serve as non-executive directors of both the Bank and other companies within the Old Mutual Group. The Bank engages in transactions with some of these companies, including transactions in the ordinary course of business. A potential conflict of interest therefore exists since Julian Roberts, Ian Gladman, Gloria Serobe and Reuel Khoza are non-executive directors of the Bank but also owe fiduciary duties to companies with which the Bank has entered into contracts.

Furthermore, in 2005 the Wiphold Consortium and the Brimstone Consortium were chosen as active black business partners to assist in growing and repositioning the Nedbank Group business and driving its

internal transformation. Aka Capital (Pty) Limited ("Aka Capital") fulfilled the role of business development partner. Consequently, performance agreements were entered into between Nedbank Group and the aforementioned parties, which govern, inter alia, the setting of the performance criteria, their evaluation and the resultant performance fees in respect of the black business partners. Dr RJ Khoza is a director and 27% shareholder of Aka Capital. Mrs GT Serobe is founder, executive director and 10% shareholder of Women Investment Portfolio Holdings Limited ("Wiphold") and Chief Executive of Wipcapital (Pty) Limited, a wholly owned subsidiary of Wiphold. Mr MA Enus-Brey is Chief Executive and 8,53% shareholder of Brimstone Investment Corporation Limited and a director of various Brimstone subsidiary companies.

Other than as described above, there are no potential conflicts of interest between any duties which the members of the Board or the Executive Committee owe to the Bank and their private interests or other duties.

Committees

The Committee structure is designed to assist the Board in the discharge of its duties and responsibilities.

All the Board committees are formed at Group level, but address both Bank and Group matters, as the Bank constitutes 94 per cent. of the Group's balance sheet.

The current Committees are:

- the Group Information Technology Committee;
- the Group Audit Committee;
- the Group Credit Committee;
- the Group Directors' Affairs Committee;
- the Group Finance and Oversight Committee;
- the Group Remuneration Committee;
- the Group Risk and Capital Management Committee; and
- the Group Transformation, Social and Ethics Committee.

Each committee has formal written terms of reference that are reviewed on an annual basis and effectively delegated in respect of certain of the Board's responsibilities, which are monitored by the Board to ensure that the committees retain effective coverage of and control over the operations of the Bank and the Group. The directors are required to confirm that the committees functioned in accordance with these terms of reference during the financial year.

The Group Information Technology Committee (GITCO) has the broad responsibility to monitor all issues pertaining to information technology (IT), both operational and strategic, and aims to ensure alignment of IT development spend and investment with overall Group strategy and direction and ensures the IT systems are efficient and effective.

Group Audit Committee (GAC) assists the Board in its evaluation and review of the adequacy and efficiency of the internal control systems, accounting practices, information systems and auditing processes applied within the Group, and highlights measures to enhance the credibility and objectivity of financial statements and reports prepared.

Group Credit Committee (GCC) approves the Group's credit philosophy and policies, sets credit limits and guidelines, confirms procedures to manage, control and price credit risk, approves the adequacy of

interim and year-end provisions impairments and monitors credit risk information, processes and disclosure. Apart from the GCC, the Large-Exposure Approval Committee also approves large credit exposures as required by the Banks Act.

Group Directors' Affairs Committee (DAC) considers, monitors and reports to the Board on reputational and compliance risk, compliance with King III and the corporate governance provisions of the Banks Act. It also acts as the nominations committee for Board appointments.

Group Finance and Oversight Committee (GFOC) has the primary function of providing a Board discussion forum for the consideration of risks within the Bank, and of ensuring that the Board and the various Board committees address those risks effectively.

Group Remuneration Committee (GRC) is authorised to approve aggregate adjustments to remuneration of employees below executive director and managing executive levels. The Group Remuneration Committee also recommends adjustments to the total remuneration of members of Group Exco. The Board, following recommendations made by the Group Remuneration Committee, approves each of the Group Exco members' total remuneration. This committee is also charged with the supervision of the Nedbank Group Employee Incentive Scheme.

Group Risk and Capital Management Committee ('GRCMC') assists the Board in:

- Evaluating the adequacy and efficiency of risk policies, procedures, practices and controls;
- Identifying the buildup and concentration of risk;
- Developing risk mitigation techniques;
- Ensuring formal risk assessment;
- Identifying and monitoring key risks;
- Facilitating and promoting communication through reporting structures; and
- Ensuring the establishment of an independent risk management function and other related functions.

Group Transformation, Social and Ethics Committee (GTSEC) previously existed as the Transformation and Sustainability Committee and has now been re-formed to ensure compliance with the requirements of the Companies Act. Four non-executive directors are members of the committee. The Chairman is an independent non-executive director and attends the annual general meeting. The committee focuses on the monitoring of the imperative of integrated sustainability within the Group with specific focus on social and economic development; good corporate citizenship; environmental concerns; health and public safety; stakeholder engagement; labour and employment.

There are a minimum of four meetings of the committee a year and such further meetings as are considered necessary to enable the committee to discharge its responsibilities. Committee meetings are attended by experts in the various fields referred to above.

Employees

As of 31 December 2013, the Bank had 27,875 employees (compared to 27,462 employees as at 31 December 2012).

A significant number of the Bank's non-managerial employees are represented by trade unions. The Bank has not experienced any significant strikes or work stoppages in recent years and considers its employee relations to be excellent.

The Bank has developed employment policies to meet the needs of its different business segments in the locations in which they operate, embodying principles of equal opportunity. The Bank has business standards with which it expects its employees to comply, and it encourages involvement of employees in the performance of the business in which they are employed and aims to achieve a sense of shared commitment.

Capital Adequacy

On 16 December 2010 the Basel Committee on Banking Supervision ("**BCBS**") published the Basel III Accord. Basel III provides, among other things, for three "tiers" of eligible capital: (i) "common equity tier 1 capital", (ii) "additional tier 1 capital" and (iii) "tier 2 capital".

On and with effect from 1 January 2013 and 10 December 2013, respectively, Basel III was adopted and implemented in the South African regulatory framework, with various phase-in and transitional arrangements until 1 January 2019.

The amended Regulations Relating to Banks promulgated under the Banks Act published as No. R. 1029 in Government Gazette No. 35950 of 12 December 2012 ("**Regulations Relating to Banks**") came into operation on 1 January 2013 and provide, among other things, for the partial implementation of the Basel III Accord in South Africa and the requirements with which shares and instruments must comply in order for the proceeds of the issue thereof to as rank as common equity tier 1 capital ("**CET 1**"), additional tier 1 capital ("**AT 1**") or tier 2 capital ("**T2**").

However, the required amendments to the South African Banks Act, 1990 (the "**Banks Act**") to provide for the full implementation of the Basel III Accord in South Africa, were only recently promulgated and have only recently come into force (10 December 2013). These amendments are contained in the Banks Amendment Act, 2013, published in Government Gazette No. 37144 of 10 December 2013.

The capital base of the Bank provides the foundation for lending, off-balance-sheet transactions and other activities. The Bank is subject to regulatory capital requirements. Capital adequacy is measured in terms of Regulations 38 of the Regulations Relating to Banks, under which the Bank must maintain a minimum level of capital adequacy based on risk-adjusted assets and off-balance-sheet exposures (risk weighed exposure). Until 31 December 2007, the Bank was subject to regulatory-capital adequacy requirements under Basel I, which changed to Basel II on 1 January 2008 to 31 December 2012.

Basel III came into effect of 1 January 2013. In terms of the Regulations Relating to Banks, capital adequacy is measured as a proportion of risk weighted exposure at three levels being the CET 1 ratio, the Tier 1 ratio and the total capital adequacy ratio ("**CAR**").

The Tier 1 capital ratio is a function of CET 1 being the Bank's paid up ordinary capital, distributable and non-distributable reserves and taking into account any regulatory adjustments and AT 1. Total CAR includes CET 1, AT 1 and T2 (for example, the proceeds of subordinated debt instruments).

The Regulations Relating to Banks as read with Directive 5 of 2013, dated 26 April 2013, issued by SARB in terms of section 6(6) of the Banks Act ("**Directive 5**") require that banks maintain a minimum level of capital based on risk-adjusted assets and off-balance-sheet exposures. A summary of certain of the provisions of Directive 5 is set out below:

Directive 5 informs banks of matters related to the prescribed minimum required capital ratios and the application of various components of the minimum required capital ratios such as the systemic risk capital requirement (Pillar 2A), the domestic systemically important bank (D-SIB) capital requirement, the countercyclical buffer range and the capital conservation buffer range. Directive 5 also details the phase-in requirements for the prescribed minimum required capital ratios.

Annexure A of Directive 5 stipulates the various capital tiers, together with various related elements specified in the Regulations Relating to Banks and in the Basel III Accord, including the systemic risk capital requirement (Pillar 2A), the bank-specific individual capital requirement (ICR, also known as Pillar 2B), and the phasing in of the related minimum requirements. The phase-in arrangements for the minimum requirements are set out in Annexure B of Directive 5.

Regulation 38(8)(e)(ii) of the Regulations Relating to Banks prescribes that the capital requirement for systemic risk (that is Pillar 2A) will be specified by the Relevant Authority. The Pillar 2A requirement may therefore also be revised from time to time.

The Pillar 2A capital requirement will be set at 1.5% of risk-weighted exposures (1% covered by common equity tier 1 capital and a further 0.5% by additional tier 1 capital) for all banks at a total capital level with effect from 1 January 2013, after which it will be increased to 2.0%. In order to ensure that factors related to systemic risk are not double counted, the Pillar 2A capital requirement will be adjusted during the phase-in period of the higher loss absorbency (HLA) requirement for D-SIBs, which will come into effect from 1 January 2016, resulting in an appropriate reduction in some components of the Pillar 2A requirement over time.

Banks are notified that the combined total capital-adequacy requirement in respect of the Pillar 2A and the HLA requirement for D-SIBs will not exceed 2% for common equity tier 1 capital, 2.5% for additional tier 1 capital and 3.5% in respect of the total capital adequacy ratio.

Banks are required to maintain an additional discretionary capital buffer above the specified minimum requirements, as envisaged in Regulation 38(8)(e)(vii) of the Regulations Relating to Banks, to ensure that the execution of internal business objectives or the occurrence of adverse external environmental factors do not prevent banks from operating above the relevant minima. The Registrar of Banks will continue to monitor and assess the adequacy of this internal buffer against a bank's strategy, risk profile and levels of capital.

Banks are advised to take note of the fact that guidance will be provided on specific aspects of the new capital framework, should it become necessary, after the BCSB has finalised the consultative processes which are currently still under way.

Annexures A and B of Directive 5 provide, among other things, for the capital adequacy ratios for 2014:

- CET 1 Capital Requirement: Minimum CET1 Ratio (per Basel III) = 4% + Pillar 2A for CET1 = 1.5%. Minimum CET1 plus Pillar 2A = 5.5%.
- Tier 1 Capital Requirement: Minimum Tier 1 Ratio (per Basel III) = 5.5% + Pillar 2A for T1 = 1.5%. Minimum T1 plus Pillar 2A = 7.0%.
- Total Capital Requirement: Minimum Total Capital Ratio (per Basel III) = 8.0% + Pillar 2A for Total Capital = 2%. Minimum Total Capital plus Pillar 2A = 10%.

*These minimum 2014 capital requirements exclude any bank-specific individual capital requirement (ICR, also known as Pillar 2B) for 2014.

The minimum requirements will be phased in from 2013 to 2019 as follows:

| Shading indicates transition periods – all dates are as of 1 January | | | | | | | | |
|---|--|--------|--------|--------|--------|---------|---------|---------|
| | Basel II.5 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| Minimum requirements (%) | | | | | | | | |
| COMMON EQUITY TIER 1 (CET1) RATIO | | | | | | | | |
| Minimum CET1 | | 3,50 | 4,00 | 4,50 | 4,50 | 4,50 | 4,50 | 4,50 |
| Pillar 2A / D-SIB for CET1 | | 1,00 | 1,50 | 2,00 | 2,00 | 2,00 | 2,00 | 2,00 |
| Minimum CET1 plus Pillar 2A | | 4,50 | 5,50 | 6,50 | 6,50 | 6,50 | 6,50 | 6,50 |
| Capital Conservation buffer | | | | | 0,625 | 1,25 | 1,875 | 2,50 |
| Total CET1 (excluding Pillar 2B and countercyclical buffer) | | 4,50 | 5,50 | 6,50 | 7,125 | 7,75 | 8,375 | 9,00 |
| Pillar 2B bank specific add-on at CET1 level (at the SARB's discretion) | | 0,125 | 0,125 | 0,125 | 0,125 | 0,125 | 0,125 | 0,125 |
| TOTAL CET1 (excluding countercyclical buffer) | 5,25 | 4,625 | 5,625 | 6,625 | 7,250 | 7,875 | 8,50 | 9,125 |
| Countercyclical buffer (assume maximum percent, if imposed) | | | | | 0,625 | 1,25 | 1,875 | 2,50 |
| TOTAL CET1 (including countercyclical buffer) | 5,25 | 4,625 | 5,625 | 6,625 | 7,875 | 9,125 | 10,375 | 11,625 |
| ADDITIONAL TIER 1 (T1) RATIO | | | | | | | | |
| Minimum additional T1 | | 1,00 | 1,50 | 1,50 | 1,50 | 1,50 | 1,50 | 1,50 |
| Pillar 2A / D-SIB for T1 | | 0,50 | 0,00 | 0,00 | 0,50 | 0,50 | 0,50 | 0,50 |
| Pillar 2B bank specific add-on at T1 level (at the SARB's discretion) | | 0,0625 | 0,0625 | 0,0625 | 0,0625 | 0,0625 | 0,0625 | 0,0625 |
| TOTAL T1 RATIO (excluding countercyclical buffer) | 7,000 | 6,1875 | 7,1875 | 8,1875 | 9,3125 | 9,9375 | 10,5625 | 11,1815 |
| TOTAL T1 RATIO (including countercyclical buffer) | | | | | 9,9375 | 11,1875 | 12,4375 | 13,6815 |
| SUMMARY OF TOTAL CAPITAL RATIO | | | | | | | | |
| Minimum Total Capital | 8,00 | 8,00 | 8,00 | 8,00 | 8,00 | 8,00 | 8,00 | 8,00 |
| Pillar 2A / D-SIB for Total Capital (maximum 2,0%) | 1,50 | 1,50 | 2,00 | 2,00 | 3,50 | 3,50 | 3,50 | 3,50 |
| Minimum Total Capital plus Pillar 2A / D-SIB | 9,50 | 9,50 | 10,00 | 10,00 | 11,50 | 11,50 | 11,50 | 11,50 |
| Capital Conservation buffer | | | | 0,625 | 0,625 | 1,25 | 1,875 | 2,50 |
| Total capital ratio (excluding Pillar 2B and countercyclical buffer) | 9,50 | 9,50 | 10,00 | 10,625 | 12,125 | 12,75 | 13,375 | 14,00 |
| Pillar 2B bank specific add-on at Total Capital level (at 100%) | 0,25 | 0,25 | 0,25 | 0,25 | 0,25 | 0,25 | 0,25 | 0,25 |
| TOTAL CAPITAL RATIO (excluding countercyclical buffer) | 9,75 | 9,75 | 10,25 | 10,875 | 12,375 | 13,0 | 13,625 | 14,25 |
| Countercyclical buffer (assume maximum percent, if imposed) | | | | | 0,625 | 1,25 | 1,875 | 2,50 |
| Total capital ratio (including countercyclical buffer) | 9,75 | 9,75 | 10,25 | 10,875 | 13,00 | 14,25 | 15,5 | 16,75 |
| Capital instruments that are not Basel III compliant and no longer qualify as Additional Tier 1 or Tier 2 capital | Phased out over 10-year horizon beginning 2013 | | | | | | | |

- There is an excess of R24.3bn (R19.3bn December 2012) in the Group, and R17.0bn (R18.2bn December 2012) in the Bank of Basel II qualifying regulatory capital resources over the minimum capital requirements. The excess decreased year-on-year as a result of RWA increases, mainly due to the implementation of the 1.06 multiplier for credit risk under Basel II.5 and the redemption of tier 2 instruments (R1.8bn) without replacement, softened to a degree by strong organic earnings growth over the same period.
- The Group, has in recent years, been running significantly higher ratios above the top end of its 2009 ranges. This was deemed prudent in light of the global financial crisis and the expected implementation of Basel III. Going forward, it is expected that the Group will trade at CARs within the revised ranges (given in the table above) unless there are investment opportunities identified which would warrant holding additional capital to facilitate such investments. The deemed optimal trading level for CET 1 is 11.5%.

SUMMARY OF REGULATORY CAPITAL ADEQUACY RATIOS

| | | 2013 BASEL III SARB MINIMUM ⁴ | BASEL III INTERNAL TARGET NEW RANGES ² | BASEL II.5 INTERNAL TARGET OLD RANGES | 2013 BASEL III | 2012 BASEL III ¹ | 2012 BASEL II.5 |
|---|---------|---|---|---|-------------------|--------------------------------|--------------------|
| Nedbank Group | | | | | | | |
| Including unappropriated profits | | | | | | | |
| CET1 | (%) | 4,5 | 10,5 – 12,5 | 7,5 – 9,0 | 12,5 | 11,6 | 11,4 |
| Total tier 1 | (%) | 6,0 | 11,5 – 13,0 | 8,5 – 10,0 | 13,6 | 13,1 | 12,9 |
| Total | (%) | 9,5 | 14,0 – 15,0 | 11,5 – 13,0 | 15,7 | 15,1 | 14,9 |
| Surplus CET1 capital ² | (Rm) | | | | 31 253 | 10 331 | 22 032 |
| Total RWA | (Rm) | | | | 392 926 | 364 682 | 359 658 |
| Total RWA:total assets | (%) | | > 50 | | 52 | 53 | 53 |
| Dividend cover ⁵ | (times) | | 1,75 – 2,25 | | 2,11 | | 2,18 |
| Excluding unappropriated profits | | | | | | | |
| CET1 | (%) | 4,5 | | | 11,5 | | 11,2 |
| Total tier 1 | (%) | 6,0 | | | 12,7 | | 12,7 |
| Total | (%) | 9,5 | | | 14,7 | | 14,7 |
| Nedbank Limited | | | | | | | |
| Including unappropriated profits | | | | | | | |
| CET1 | (%) | 4,5 | 9,5 – 11,5 | 7,5 – 9,0 | 10,7 | 10,6 | 11,2 |
| Total tier 1 | (%) | 6,0 | 10,5 – 12,0 | 8,5 – 10,0 | 12,1 | 12,3 | 12,9 |
| Total | (%) | 9,5 | 13,0 – 14,0 | 11,5 – 13,0 | 14,5 | 14,8 | 15,3 |
| Surplus CET1 capital ² | (Rm) | | | | 20 853 | 4 679 | 18 551 |
| Total RWA | (Rm) | | | | 336 858 | 322 111 | 313 638 |
| Excluding unappropriated profits | | | | | | | |
| CET1 | (%) | 4,5 | | | 9,8 | | 11,1 |
| Total tier 1 | (%) | 6,0 | | | 11,2 | | 12,8 |
| Total | (%) | 9,5 | | | 13,6 | | 15,2 |

¹ Pro forma Basel III.

² Excluding any specific Pillar 2B add-on and countercyclical buffer (CCB).

³ Nedbank's internal through-the-cycle target ranges are based on the final minimum regulatory requirements of 2019 for CET1 and the 2015 minimum requirements for the total tier 1 and total capital ratios.

⁴ The SARB minimum ratios presented as at 2013 increase in line with Basel III phasing in over 2013–2019.

⁵ 2012 restated to reflect the adoption of IAS19 Employee Benefits (2011).

■ In line with regulation 38(10) of the Banks Act, profits do not qualify as regulatory capital, unless formally appropriated by the board by way of a resolution. Accordingly, capital ratios are shown above, both including and excluding unappropriated profits.

The Group CAR increased to a Basel II.5 CET1 of 12.5% (2012: 11.6%) and Tier 1 of 13.6% (2012: 13.1%). The Total CAR increased to 15.7% (2012: 15.1%) due to successful issuance of R3bn of new-style Basel III subordinated tier 2 capital.

The Bank's CAR increased to a Basel II.5 CET1 of 10.7% (2012: 10.6%) and Tier 1 decreased to 12.1% (2012: 12.3%). The Total CAR decreased to 14.5% (2012: 14.8%) due to the redemption at their call date of old-style Basel II tier 2 subordinated capital instruments of R2.1bn during the year.

The Group's capital ratios strengthened significantly during 2013, even after the implementation of Basel II.5, which had a negative impact on CET1 and Total CAR of 50 bps to 70bps, respectively at implementation date.

Legal Proceedings

The Bank and its subsidiaries have been, and continue to be, the subject of legal proceedings and adjudications from time to time. To this end, the Bank utilises internal and external legal teams to manage any legal action instituted by and against the Bank.

There are a number of legal or potential claims against the Bank and its subsidiaries, the outcome of which cannot at present be foreseen. Neither management nor the Bank regards these claims as material either on an individual or collective basis.

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

Property

As at 31 December 2013, the Bank held the freehold title to land and buildings with a net book value of R4.426 million compared to R4.124 million as at 31 December 2012.

IT/Technology

Information technology is an integral part of the Bank's operations. The Bank is continually seeking to improve the operating features and security of its IT systems, in particular for new technologies to support and enhance its business strategies.

Information risk management within the Bank not only involves securing bank information and systems, but also entails the application of risk management principles to ensure efficient, reliable and timely delivery of information.

The following table sets out the carrying value of computer equipment, software and software development costs of the Bank in connection with information technology for the years ended 31 December 2013 and 31 December 2012.

| | As at 31 December | |
|--|--------------------------|-------------|
| | 2012 | 2013 |
| | <i>(Rm)</i> | |
| Computer costs | 2,591 | 2,897 |
| Accumulated amortisation and impairment losses | 1,931 | 2,154 |
| Carrying Amount | 660 | 743 |

Funding

The Bank's primary funding objective is to secure funding at an optimal cost from diversified and sustainable funding sources. The Bank's funding policies are set out in the Market Risk Framework which is approved by the Board. The implementation of the Market Risk Framework is the responsibility of the Balance Sheet Management Division, a Head Office function. The Liquidity Risk Framework aims to ensure that the Bank has sufficiently diversified funding sources to meet obligations when they fall due, as well as the ability to fund ongoing lending and trading activity under increasing levels of stress at a minimum acceptable level of cost.

The Liquidity Risk Framework seeks to achieve this by ensuring:

- an appropriate mix of deposit funding in terms of both source and term structure;
- sufficient callable or near term maturity assets in relation to maturing deposits;
- sufficient saleable assets such as marketable securities which are not encumbered in any way;
- sufficient on-balance sheet assets that are earmarked for securitisation, as well as the operational capability to tap the capital market on a regular basis; and
- proactive management of all off-balance sheet sources of liquidity risk.

The Bank's principal funding strategy is to achieve as far as possible a strong market share in retail, commercial and corporate deposits as these deposits represent the most cost effective source of funding for the Bank. The Bank also seeks to fund asset growth through debt issuance on the capital markets and has established a range of debt issuance programmes to ensure maximum efficiency and flexibility in accessing funding opportunities.

As at 31 December 2012, the Bank had 20 per cent of the total market for household deposits and 17 per cent of corporate and business deposits (source: SARB BA900 Report, December 2013). A key focus in terms of the Board approved Funding Plan is to continually grow and gain market share as it relates to "stable" retail and commercial funding, which offer Basel III benefits.

As part of the strategy of lengthening the funding profile, the Bank is an active issuer under its Domestic Medium Term Note (DMTN) programme issuing fixed, floating and indexed instruments with maturities which typically range between 3 and 10 years.

In the past, the Bank has also raised funding through the securitization of residential & commercial mortgages and auto instalment sale agreements.

Issuance under the Programme will contribute positively to lengthening and diversifying the Bank's funding base as part of achieving Board approved liquidity risk management objectives.

Loan Portfolio

The Bank extends advances to individuals and to the corporate, commercial and public sectors. Advances made to individuals are mostly in the form of mortgages, instalment credit, overdrafts, personal loans and credit card borrowings. The Bank's main activity is in the corporate and commercial sector, where advances are made to a large cross-section of businesses, predominantly in finance and service areas, manufacturing and building and property finance sectors.

As at 31 December 2013, the Bank's total gross loans and advances to customers amounted to R577 billion (R531 billion as at 31 December 2012), an increase of 8.7 per cent.

As at 31 December 2013, loans and advances to individuals represented approximately 37 per cent of the Bank's total gross loans (compared to 38 per cent as at 31 December 2012).

Loans portfolio by category of loans and advances

The following table sets out the composition of the Bank's advances by category of loan or advance (net of impairment) as at 31 December 2012 and 2013:

Categories of loans and advances

| | 2013 Rm | 2012 Rm |
|--|------------|------------|
| Mortgage loans | 234 424 | 227 713 |
| Home loans | 128 505 | 130 285 |
| Commercial mortgages | 105 919 | 97 428 |
| Net finance lease and instalment debtors (note 27.4) | 83 810 | 74 818 |
| Gross investment | 104 806 | 78 241 |
| Unearned finance charges | (20 996) | (3 423) |
| Credit cards | 11 428 | 10 008 |
| Other loans and advances | 247 717 | 218 355 |
| Properties in possession | 773 | 574 |
| Overdrafts | 12 622 | 11 375 |
| Term loans | 95 602 | 86 926 |
| Personal loans | 20 419 | 22 433 |
| Other term loans | 75 183 | 64 493 |
| Overnight loans | 17 926 | 18 341 |
| Other loans to clients | 71 306 | 55 497 |
| Foreign client lending | 12 255 | 5 596 |
| Remittances in transit | 100 | 100 |
| Other loans ¹ | 58 951 | 49 801 |
| Preference shares and debentures | 18 855 | 16 815 |
| Factoring accounts | 4 796 | 4 461 |
| Deposits placed under reverse repurchase agreements | 25 796 | 24 338 |
| Trade, other bills and bankers' acceptances | 41 | 28 |
| | 577 379 | 530 894 |
| Impairment of loans and advances (note 28) | (11 332) | (10 778) |
| | 566 047 | 520 116 |
| Comprises: | | |
| Loans and advances to customers ¹ | 552 122 | 506 119 |
| Loans and advances to banks | 25 257 | 24 775 |
| | 577 379 | 530 894 |

¹ Represents clients' indebtedness for acceptances and other loans.

The following table sets out the composition of the Bank's loans and advances by sector as at 31 December 2012 and 2013:

Sectoral analysis

| | 2013 Rm | 2012 Rm |
|---|----------------|------------|
| Individuals | 211 433 | 203 233 |
| Financial services, insurance and real estate | 132 394 | 117 967 |
| Banks | 25 257 | 24 775 |
| Manufacturing | 44 353 | 36 973 |
| Building and property development | 7 626 | 9 518 |
| Transport, storage and communication | 23 845 | 25 454 |
| Retailers, catering and accommodation | 16 686 | 11 704 |
| Wholesale and trade | 12 833 | 8 324 |
| Mining and quarrying | 27 958 | 22 452 |
| Agriculture, forestry and fishing | 4 346 | 6 036 |
| Government and public sector | 21 621 | 17 619 |
| Other services | 49 027 | 46 839 |
| | 577 379 | 530 894 |

The following table sets out the composition of the Bank's loans and advances by geographical location as at 31 December 2012 and 2013:

Geographical analysis

| | | |
|----------------|----------------|---------|
| SA | 543 273 | 510 911 |
| Rest of Africa | 12 908 | 7 836 |
| Europe | 13 114 | 8 357 |
| Asia | 1 781 | 353 |
| United States | 1 226 | 947 |
| Other | 5 077 | 2 490 |
| | 577 379 | 530 894 |

The following table sets out the composition of the Bank's impairment of advances as at 31 December 2012 and 2013:

Impairment of loans and advances

| | Total impairment | | Specific impairment | | Portfolio impairment | |
|---|------------------|------------|---------------------|------------|----------------------|------------|
| | 2013 Rm | 2012 Rm | 2013 Rm | 2012 Rm | 2013 Rm | 2012 Rm |
| Balance at the beginning of the year | 10 778 | 11 422 | 7 397 | 8 706 | 3 381 | 2 716 |
| Impairments charge | 6 407 | 6 031 | 5 867 | 5 366 | 540 | 665 |
| Statement of comprehensive income charge net of recoveries | 5 529 | 5 239 | 4 989 | 4 574 | 540 | 665 |
| – Loans and advances | 5 555 | 5 209 | 5 015 | 4 544 | 540 | 665 |
| – Advances designated as at fair value through profit or loss (see note 25.1) | (26) | 30 | (26) | 30 | | |
| Recoveries | 878 | 792 | 878 | 792 | | |
| Amounts written off against the impairment/Other transfers | (5 853) | (6 675) | (5 861) | (6 675) | 8 | |
| Impairment of loans and advances | 11 332 | 10 778 | 7 403 | 7 397 | 3 929 | 3 381 |

Contingent Liabilities

The Bank in the ordinary course of business enters into transactions that expose the Bank to tax, legal and business risks. Provisions are made for known liabilities that are expected to materialise. Possible

obligations and known liabilities where no reliable estimate can be made, or it is considered improbable that an outflow would result, are reported as contingent liabilities. This is in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

CONTINGENT LIABILITIES AND UNDRAWN FACILITIES

| | 2013 Rm | 2012 Rm |
|--|------------|------------|
| Guarantees on behalf of clients | 35 013 | 34 155 |
| Letters of credit and discounting transactions | 3 178 | 2 422 |
| Irrevocable unutilised facilities and other | 93 670 | 82 585 |
| | 131 861 | 119 162 |

Historically a number of Bank companies entered into structured finance transactions with third parties using their tax bases. In the majority of these transactions, the underlying third party contractually agreed to accept the risk of any tax being imposed by the South African Revenue Service ("SARS"), although the obligation to pay rested in the first instance with the Bank companies. It would only be in limited cases, for example, where the credit quality of a client became doubtful or where the client specifically contracted out of the re-pricing of additional taxes, that the recovery from a client could be less than the liability arising on assessment, in which case provisions would be made.

Group Approach to Risk Management

The Bank adopts the same risk management policies and procedures as the wider Group. The Group's risk management policies apply to all business clusters within the Group, including those of the Bank.

Risk Management

The Bank has adopted a comprehensive risk management strategy and methodology, which is underpinned by an enterprise-wide risk management framework. Enterprise-wide Risk Management ("ERM") in the Bank is approached in a structured and disciplined manner aligning strategy, policies, charters, people, processes, technology and knowledge with the purpose of evaluating and managing the opportunities, threats and uncertainties the Bank faces as it creates shareholder value. It involves integrating risk and capital management effectively, across an organisation's risk spectrum, business units and operating divisions, geographical locations and legal entities.

The Group view is that a strong risk governance process is the foundation for successful risk management, and is based on a 'three lines of defence' concept which is the backbone of the Group's Enterprise-wide Risk Management Framework ("ERMF"). This incorporates a strong emphasis on accountability, responsibility, independence, reporting, communications and transparency, both internally and with all key external stakeholders.

Risk Governance

The Group defines risk as any source of uncertainty about the future operating environment that can affect profits or result in adverse outcomes, including reputational damage. ERM function of the Group is responsible for the independent oversight and monitoring required to continuously drive improvement of the Group's risk management capabilities in a challenging and ever changing operating environment. The objective of the risk management programme is not only to protect, but also to add enterprise value to the Group's strategy, people, processes, technology and knowledge. Risk management is embedded in the Group's strategy and is integrated into its day-to-day operating activities. Direction and oversight of risk management occur at the executive management level.

A key-issues control log has been developed to establish a reporting process that will promote a sound risk culture and facilitate timely identification and escalation of risk concerns to the appropriate levels. These

are risks of potentially serious impact. This reporting is encouraged to develop a risk culture throughout the Group of prevention being better than cure as well as of risk transparency.

Enterprise-wide Risk Management Framework

The ERMF governs the risk management process and provides a matrix of business, strategic, financial and non-financial risks that the Group will monitor. In terms of the framework, risk management is vested as an integral part of management's functions at all levels of the Group and includes the management of governance, strategy, business performance, competitiveness, human resources, processes, information technology, and operational, financial and tax risk. The ERMF, fully embedded across the Group, is supplemented by individual sub-frameworks such as those for credit risk, market risk, liquidity risk, operational risk, capital risk, reputational risk, environmental risk and most recently taxation risk.

The ERMF facilitates effective communication at executive management and Board levels, and strong interaction across the Bank between the businesses and central Bank services. The Board acknowledges its responsibility for the entire process of risk management and for evaluating the effectiveness thereof. The Board is assisted by nine Board committees. At executive management level the Group Executive Committee is also assisted with its risk, strategic and operational responsibilities by eleven subcommittees.

The framework aims to incorporate the risk management process into the overall management process. This process drives strategy, products, services and processes to generate profits and growth in a sustainable way, while the risk management process supports management by providing the checks and balances, through risk quantification, qualitative assessments, monitoring and the initiation of corrective measures, to ensure sustainability, performance, the achievement of the desired objectives and to avoid adverse outcomes and reputational damage.

The framework complies with statutory and regulatory requirements and is in line with King III and COSO requirements. The risk framework has been reviewed and benchmarked against international best practice and has proved to be thorough, effective and robust in fully supporting enterprise risk management principles.

Another key component of the ERMF is a comprehensive set of Board-approved policies and procedures, which are updated annually. The coordination and maintenance of this process rests with the head of ERM, who reports direct to the Chief Risk Officer.

Risk appetite

Risk appetite is an articulation and allocation of the risk capacity or quantum of risk the Group is willing to accept in pursuit of its strategy, duly set and monitored by the Group Executive Committee (Exco) and the Board, and integrated into the Group's strategy, business, risk and capital plans.

The Group measures and expresses risk appetite qualitatively and in terms of quantitative risk metrics. The quantitative metrics include earnings at risk (EaR) (or earnings volatility) and, related to this, the chance of experiencing a loss, the chance of regulatory insolvency and economic capital adequacy. Earnings volatility is the level of potential deviation from expected financial performance that the Group is prepared to sustain at relevant points on its risk profile. It is established with reference to the strategic objectives and business plans of the Group, including the achievement of financial targets, payment of dividends, funding of capital growth and maintenance of target capital ratios. Together with total RWA to total assets and Basel III leverage ratio, these comprise the Group's core risk appetite metrics. In addition, a large variety of other risk appetite metrics with targets, triggers, mandates and guidelines are in place for all the financial risks (eg credit, market and asset and liability management (ALM) and concentration risks).

In 2009 the Group sought to enhance the extent, focus and reporting of the key financial risk appetite metrics, and the cascade from group level down to cluster, business unit and monoline level. Accordingly an enhanced suite of base case through-the-cycle (TTC) and point-in-time (PIT) risk appetite metrics was

established and incorporated into the business plans at both Group and business cluster levels. In 2010 the risk appetite metrics and targets were enhanced to include short-term and long-term insurance, insurance investment and asset management risk profiles. In 2011 the risk appetite metrics and targets were further enhanced to include operational and tax risk profiles of the group.

Credit risk and investment risk appetite metrics and targets, as relevant to the approved business activities, have been cascaded down from group level for each business cluster, major business unit and the monolines in Nedbank Retail. The relevant operational risk appetite metrics have also been cascaded down to the business cluster level.

Stressed (extreme event) risk appetite limits for the PIT risk appetite metrics, and linked to Nedbank Group's stress- and scenario-testing programme, were then also introduced in 2011.

In 2012 risk appetite metrics for the Rest of Africa were implemented in terms of economic capital consumption and return targets for the various businesses. Two sets of targets were set, one set for the medium term (end 2015) and one for the long term (end 2020).

Concentration risk appetite targets were introduced in 2011, both in areas where Nedbank Group is materially exposed to concentration risk, as well as areas of under-concentration, and so to identify potential growth. The targets were agreed by senior management and approved by the board in 2011, in line with the new Basel II.5 regulations and the board's responsibilities. The concentration risk appetite metrics and target ranges were further enhanced in 2012.

Qualitatively, the group also expresses risk appetite in terms of policies, processes, procedures, statements and controls meant to limit risks that may or may not be quantifiable. Policies, processes and procedures relating to governance, effective risk management, adequate capital and internal control have board and senior management oversight and are governed by the three-lines of defence. A key component of the Enterprisewide Risk Management Framework (ERMF) is a comprehensive set of board-approved risk policies and procedures, which are updated annually. The coordination and maintenance of this formal process rests with the head of Enterprisewide Risk Management, who reports directly to the Chief Risk Officer.

The Group's risk appetite is defined across five broad categories as set out in the board approved Risk Appetite Framework, namely:

- Core risk appetite metrics:
 - EaR
 - Chance of a loss
 - Chance of regulatory insolvency
 - Available financial resources (AFR): economic capital (A solvency target)
 - Total RWA: total assets
 - Leverage ratio

During 2011 the Group revised the EaR and chance-of-a-loss metrics from 100% to 80% and from 1-in-10 to 1-in-15 respectively, adding further conservatism to these core risk appetite metrics.

- Specific risk-type limit setting (which clarify across the group's businesses the mandate levels that are of an appropriate scale relative to the risk and reward of the underlying activities so as to minimise concentrations and other risks that could lead to unexpected losses of a disproportionate scale).

- Stakeholder targets (such as performance targets, regulatory capital targets and target debt rating for economic capital adequacy, economic capital allocations to business clusters, dividend policy, target credit impairment ratios, derisking the balance sheet of non-core assets, etc).
- Policies, procedures and controls.
- Zero-tolerance statements.

Nedbank Group and Bank core risk appetite metrics

| Group and Bank metrics | Definition | Measurement methodology | Current targets | Target achieved |
|---------------------------------|---|--|--|-----------------|
| Earnings at risk (EaR) | Percentage pretax earnings potentially lost over a one-year period | Measured as a ratio of earnings volatility as a 1-in-10 chance event (ie 90% confidence level) and pretax earnings | EaR less than 80% | ✓ |
| Chance of experiencing a loss | Event in which the Group experiences an annual loss | Utilises economic loss at different confidence intervals and comparing with expected profit over the next year | Better than 1-in-15 years | ✓ |
| Chance of regulatory insolvency | Event in which losses would result in the Group being undercapitalised relative to minimum total regulatory capital ratio | Utilises economic loss at different confidence intervals and compares with capital buffer above regulatory minimum – expressed as a 1-in-N chance event of regulatory insolvency | Better than 1-in-50 years | ✓ |
| Economic capital adequacy | The Group adequately capitalised on an economic basis to its current international foreign currency target debt rating | Measured by the ratio of AFR and required economic capital at an A international foreign currency debt rating | Greater than an A rating plus 10% buffer | ✓ |
| Total RWA to total assets | The average risk profile (risk weight) of the Group's assets | Measured as the ratio of total RWA and total assets | 50% – 59% | ✓ |
| Leverage ratio | The extent to which the Group is leveraged | Measured as the ratio of total assets, | Less than 20 | ✓ |

| | | |
|---|---|-------|
| in terms of assets, including off-balance- sheet assets, per unit of qualifying Tier 1 regulatory capital | including off-balance sheet assets, to qualifying Tier 1 regulatory capital (aligns with Basel III) | times |
|---|---|-------|

The Group's Risk Appetite Framework and modelling of the group level metrics are integrated with the economic capital model and the ERMF. The two measures, EaR and economic capital, are methodologically very similar and differing primarily in the confidence level used. Both economic capital and EaR are calculated at granular levels and are key components of the Group's Risk Appetite Framework and Risk-Adjusted Performance Measurement system (ie for RORAC, EP measures).

The Group has a cascading system of risk limits at all levels of the group and for all financial risks, which is a core component of the implementation of the Risk Appetite Framework. The size of the various limits is a direct reflection of the board's risk appetite, given the business cycle, market environment, business plans and strategy, and capital planning.

Credit Risk

Credit risk is the risk of loss to the Bank as a consequence of non-performance by counterparties in respect of any financial or performance obligation due to deterioration in the financial status of the counterparty.

Credit risk arises from advances to customers, lending commitments, contingent liabilities (e.g. letters of credit) and traded products such as derivative instruments. Credit risk may also materialise when the value of an asset that is carried at fair value decreases subsequent to the downgrading of the counterparty.

Governance structure of the Bank's AIRB credit system

Credit risk is managed across the Group through the Group Credit Risk Framework ("**GCRF**"), which encompasses key governance structures, mandate limits and credit policies. GCRF is a key component of the Bank's Enterprise Risk Management Framework ("**ERMF**") and the economic capital and risk appetite frameworks. The GCRF assists the Bank to achieve effective management of credit risk and the provision of an adequate return on risk adjusted capital in line with the Bank's risk-reward appetite.

The Board and its Group Credit Committee ("**GCC**"), the committee appointed by the Board to monitor, challenge and ultimately approve all material aspects of the Bank's credit rating and risk estimation process, are required by the Basel II regulations to possess a general understanding of the AIRB credit system and the related reports generated. Management is required to possess a detailed understanding of the AIRB credit system and the reports it generates.

It is management's responsibility to ensure:

- the effective operation of the AIRB credit system (assisted by the independent credit risk control units);
- the independence of the Bank's credit risk control unit and the Credit Models Validation Unit ("**CMVU**"); and
- the effective functioning of the GCC.
- Group Credit Risk Monitoring ("**GCRM**"), an independent unit in Group Risk, is responsible for:
- the ongoing enhancement of credit risk management across the Group;
- the GCRF and AIRB credit system;

- the monitoring of credit portfolios; and
- the Group credit policy.

GCRM reports to executive management, Business Unit Credit Committees ("**DCC**") and GCC on a regular basis. CMVU, as part of GCRM, has overall responsibility for:

- ensuring consistency in the rating processes; and
- the independent validation of credit models.

DCCs, with chairpersons independent of the business units, operate for all major business units across the Bank. The DCCs are responsible for:

- approving and recommending business unit credit mandates and credit policy; and
- reviewing business unit-level credit portfolios, performance parameters, adequacy of impairments, expected loss and credit capital levels.

Each of the business units' credit risk management functions operate independently of credit origination. In line with the Basel II AIRB methodology, each cluster has implemented economic-capital quantification and economic-profit performance measurements. Furthermore, each cluster has cluster credit labs that are responsible for the ongoing design, implementation, validation and performance of the business cluster's internal rating systems.

The Bank's AIRB credit system forms the basis of its measurement and management of credit risk across the Bank. The credit system requires that all transactions are rated. This ensures compliance with Basel II and the consistent and accurate measurement of credit risk across all portfolios.

The Group Credit Portfolio Management Unit ("**CPM**"), as part of the Balance Sheet Management Division, strives to manage and optimise the Bank's credit portfolios and credit concentration risk. CPM utilises sophisticated Credit Portfolio Models, tailored for the Bank, to calculate credit economic capital (or credit value at risk) and provides other key inputs for best-practice credit risk and capital measurement.

Risk appetite is an articulation and allocation of the risk capacity or quantum of risk the Bank is willing to accept in pursuit of its strategy. The risk appetite is set and monitored quarterly by the board and is integrated into the Bank's strategy, business and capital plans.

The Bank's risk appetite is inherently conservative. For example, the Bank does not carry significant non-core assets or investments subject to material fluctuation due to equity or forex risk.

Credit Risk Management

The Bank's credit policy incorporates credit risk principles that reflect the Banks Act, the regulations under the Banks Act (including the Regulations Relating to Banks) and industry best practice. The credit policy is the cornerstone of sound credit risk management in the Bank and provides a framework for credit granting as well as the subsequent monitoring of credit risk exposures.

The principles in the credit policy is implemented across the Bank and is suitably adopted for either retail, commercial or corporate business units. Knowing the client, identifying and understanding all the risks and having an adequate free cash flow to service the loan remain key drivers in granting credit. The risk/reward relationship and the resultant pricing for risk ensure that credit risk is managed within the predetermined credit risk appetite of the Bank.

All facilities and/or portfolios are subject to ongoing credit risk management processes and annual reviews (particularly wholesale clients). Emphasis is placed on the early identification of high-risk facilities through monitoring early warning signals. This, together with proactive intervention and workout strategies, ensures an acceptable cure rate.

The management of the facilities and/or portfolios include, amongst others, the continuous classification, measurement, monitoring and reporting of key credit risk indicators of the facilities and/or portfolios.

Credit risk mitigation

All facilities exceeding one year are subject to covenants and the provision of collateral may be negotiated to protect the Bank against the effect of unforeseen circumstances. Nevertheless, the primary consideration in the assessment of any lending opportunity remains the borrower's financial position and its ability to repay from its own resources and cash flow. Collateral mitigates the expected loss ("EL") of an exposure through the decrease of the LGD of an exposure.

Typical collateral include sureties, guarantees, mortgage bonds, fixed deposits and moveable assets. Other forms of credit risk mitigation include on-and-off-balance sheet netting, margin calls and set-off agreements. Off-balance sheet netting normally occurs in the over-the-counter environment whilst set-off (subject to all legal requirements) and on-balance sheet netting takes place in the banking book.

Collateral obtained is contracted, documented and safely stored and/monitored, collateral information is loaded on the Bank's electronic collateral management system that is integrated with the Bank's facility management system and linked to the facilities. The value of collateral is reviewed at least annually.

Credit risk concentrations

Concentration risk originates from within the various credit portfolios and the Bank recognises and manages the following concentration risks:

- Risk ratings: The banking book is reported and managed in terms of a spread of risk ratings as the business units pursue a balanced distribution across the various levels of risk ratings;
- Risk products: A distribution of lending across the various products lines aims to ensure, amongst other benefits, a cost efficient flow of income and a balanced presence in the market place;
- Industry sector and sub sector: The Bank safeguards against concentrations of exposure, not only to mainstream industries operating in similar environments, but also to peripheral industries that depend on a single or major debtor and/or supplier as well as correlations within industries;
- Non-standard portfolios: Non-standard portfolios are an aggregation of credits of a specialised nature which cannot totally support their required level of facilities, based on the Bank's normal criteria, but where there are extenuating factors and sufficient credit risk mitigation in place to award such a portfolio. Non-standard portfolios are supported by dedicated policies including assessment, monitoring and management directives;
- Geography (excluding South Africa): The Bank seeks to avoid significant levels of exposure concentration, particularly in geographical areas with similar characteristics that may be sensitive to changes;
- Sovereign risk: Maximum credit appetite levels are set in terms of all sovereign risk;
- Collateral/credit risk mitigation: The Bank reviews any high levels of concentration of collateral security, including credit insurance and particularly equities due to frequent price movements; and
- Large exposures: Large wholesale exposures on individual names are recognised and reported to the GCC and approved by the Large Exposure Approval Committee, a sub-committee of the Board.

Business plans and business unit credit risk appetite takes due cognisance of credit risk concentrations in the book.

Credit risk measurement

The Bank's Basel II AIRB credit methodology is fully implemented and operational for all material credit portfolios. Under this methodology credit risk is essentially measured by two key components, namely:

- Expected loss ("EL"), which is a 12-month estimate based on the long-run annual average level of credit losses through the full credit cycle based on time series data history; and
- Unexpected loss ("UL"), which is the difference between credit value at risk and the EL.

Analytically, EL and UL are defined respectively as the average and one standard deviation from that average of the distribution of potential losses inherent in the bank's credit portfolio.

These statistically estimated losses are determined by the key Basel II AIRB credit risk parameters, namely probability of default ("PD"), exposure at default ("EAD"), loss given defaults ("LGD") and maturity ("M"). These together with the Basel II capital formulae, culminate in the Pillar 1 minimum regulatory-capital requirements for credit risk.

The Bank uses two master rating scales for measuring credit risk. The first measures borrower risk without the effect of collateral and any credit risk mitigation (i.e. PD rating only), while the second measures transaction risk (i.e. EL), which incorporates the effect of collateral and any credit risk mitigation.

All credit applications are required to carry the borrower PD rating from the Nedbank Group Rating ("NGR") master rating scale, estimate of LGD and overall transaction rating from the Bank's transaction rating master rating scale.

The comprehensive PD rating scale, which is mapped to default probabilities and external rating agency rating scales, enables the Bank to rate all borrowers on a single scale, from the best corporates to the more risky retail borrowers. The principal benefit thereof is that direct comparisons can be made between the riskiness of borrowers making up various portfolios. A brief explanation of the scale follows (the same rating scale is used for Basel II credit risk capital calculations):

- NGR01 to NGR12 represent borrowers who demonstrate a strong capacity to meet financial obligations, and who have a negligible or low PD. This category comprises, but is not limited to, the Bank's large corporate clients, including financial institutions, parastatals and other government-related institutions.
- NGR13 to NGR20 represent borrowers who demonstrate a satisfactory ability to make payments and who have a low or moderate PD. This category comprises, but is not limited to, small and medium businesses, medium-sized corporate clients and individuals.
- NGR21 to NGR25 represent borrowers who are of higher risk. This category comprises higher-risk individuals or small businesses, as well as borrowers that were rated higher on inception but have since migrated down the rating scale as a result of poor financial performance. However, the borrower has not defaulted and is continuing to make repayments. Whilst many banks would generally not expose themselves to this degree of risk, these rating grades exist for the following reasons:
 - South Africa is an emerging market. As such, there are times when the Bank would be willing to take on this level of risk at the appropriate price;
 - The ratings caters for borrowers that were healthy but that have migrated down the rating scale to the point of being near default; and
 - The Bank may grant facilities to very risky borrowers on the basis of significant collateral offered. This particular rating scale measures only the likelihood of the borrower defaulting

and does not recognise that a very high level of default risk may well have been successfully mitigated.

The final ratings on the scale represent those borrowers that have defaulted. NP1 applies to recent defaults, NP2 represents those borrowers in respect of which the Bank is proceeding to legal recovery of moneys owing and NP3 is for long-term legal cases, exceeding a period of 12 months.

Basel II specifically requires that AIRB banks maintain two rating dimensions, one measuring the probability of the borrower defaulting and the second considering facility characteristics. The Nedbank Transaction Rating ("NTR") scale reflects EL as a percentage of exposure at default ("EAD") and contains 10 rating bands: the first three bands representing facilities of very low risk, the next three bands being for facilities of average or acceptable risk and the final four bands indicating facilities of high or very high risk.

The NTR scale measures the total or overall credit risk (ie expected loss) in individual exposures, thereby allowing credit officers to consider the mitigating effect of collateral, other credit risk mitigation and recovery rates on exposures. This reflects the true or complete measurement of credit risk, incorporating not only PD, but importantly also LGD.

Both rating scales are based on the requirements of Basel II, namely that defaults that are 90 days or more past due date be consistently recognised across the Group as defaulted, unless there are other qualitative considerations that render default classification prior to that point. All estimates are also based on a through-the-cycle ("TTC") view of risk. Basel II requires banks to base their LGD estimates for regulatory-capital requirements on a downturn scenario (i.e. downturn LGD), rather than an average TTC loss estimate. Downturn LGD therefore represents what could be expected in economic downturn conditions in the trough of a business cycle.

Non-Performing Loans and Impairment Policy

An exposure or a portfolio of exposures 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 exposure (a loss event) and that loss event has (or events have) an impact on the estimated future cash flows of the exposure or portfolio that can be reliably estimated.

Objective evidence that an exposure or portfolio is impaired includes observable data that comes to the attention of the Bank about the following loss events, amongst others:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Bank, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Bank would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for an exposure that is traded in an active market because of financial difficulties of the borrower; or
- observable data indicating that there is a measurable decrease in the estimated future cashflows from a portfolio since the initial recognition of the exposures within the portfolio, although the decrease cannot yet be identified with the individual exposures in the portfolio (Observable data includes adverse changes in the payment status of borrowers in the portfolio, changes in national or local economic conditions that correlate with defaults on the exposures in the Bank).

The Bank regularly assesses whether there is objective evidence that an exposure or portfolio is impaired.

The assumption of arrears being objective evidence of impairment does not mean that no impairments are raised against the performing book. It is accepted that losses are incurred but not reported for clients in the performing category and portfolio impairment is raised in compliance with IAS 39.

Exposures carried at amortised cost

If there is objective evidence that an impairment loss on exposures or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the exposure's and/or the investment's carrying amount and the present value of estimated future cash flows discounted at the exposure's and/or the investment's original effective interest rate. The carrying amount of the exposure's and/or the investment's is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

The Bank first assesses whether there is objective evidence of impairment individually for exposure's and/or the investment's that are individually significant, and individually or collectively for exposure's and/or the investment's that are not individually significant. If the Bank determines that there is no objective evidence of impairment for an individually assessed exposure's and/or the investment's, whether significant or not, it includes the asset in a portfolio of exposure's and/or the investment's with similar credit risk characteristics and collectively assesses them for impairment.

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 counterparty's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal may not result in a carrying amount of the exposure's and/or the investment's that exceeds what the amortised cost would have been had the impairment not been recognised at the date on which the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period.

Exposures carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is carried at cost, because its fair value cannot be reliably measured, or on a derivative asset that is linked to such an instrument and has to be settled by delivery of the instrument, or an exposure that is carried at cost because its fair value could not be determined, the amount of the impairment loss is measured as the difference between the carrying amount of the equity instrument and/or exposure and the present value of estimated future cash flows discounted at the current market rate of return for a similar equity instrument or exposure. Such impairment losses are not reversed.

Available-for-sale financial assets

When a decline in the fair value of an available-for-sale exposure or equity instrument has been recognised directly in equity and there is objective evidence that the exposure or equity instrument is impaired, the cumulative loss that has been recognised directly in equity is removed from equity and recognised in profit or loss even though the exposure or equity instrument has not been derecognised. The amount of the cumulative loss that is removed from equity and recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that exposure or equity instrument previously recognised in profit or loss. Impairment losses recognised in profit or loss of an investment in equity instrument classified as available-for-sale are not reversed through 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, with the amount of the reversal recognised in profit or loss for the period.

Maximum credit risk

The maximum credit risk of an exposure is the gross carrying amount, net of any amounts offset and impairment losses. The maximum credit exposure for loan commitments is the amount of the commitment if the commitment to extend cash cannot be settled net in cash or using another financial asset.

Principal Rating Processes

An overview of the principal rating processes follows:

Corporate (including small and medium enterprises ("SMEs"), specialised lending and purchased corporate receivables, sovereigns and banks)

The Bank's corporate lending portfolio includes a number of sub-portfolios, including:

- large corporates;
- large private firms;
- parastatals and municipalities;
- SMEs;
- commercial property finance;
- property development finance;
- project finance;
- leveraged buyouts and BEE finance;
- commodity finance;
- exposures to sovereigns; and
- exposures to other banks.

A range of bespoke rating models has been developed to rate these various sub-portfolios and to produce estimates of PD, LGD and EAD. All models are developed in accordance with international best practice and are, wherever possible, based on the Bank's own internal data and long-run default experience. For certain low-default portfolios, such as exposures to other banks, the Bank simply does not have sufficient default experience to allow robust statistical modelling. In these instances suitable data has been sourced from appropriate data bureaus and the models developed in terms thereof. When external data is used to develop the models, great care is taken to ensure it is both appropriate and relevant.

When utilising models to rate corporate exposures, a pure statistical approach is not always the best option. While the Bank's models include both financial and qualitative factors, it is not always possible or even appropriate to include all relevant qualitative information in model inputs. For this reason all corporate ratings are subject to review by suitable experts, who have the authority to override model-based ratings within well-defined authority levels.

All sub-portfolios utilise the Basel II standard definition of default of 90 days overdue, although the earlier recognition of default is encouraged, when appropriate.

For three sub-portfolios (property development finance, vacant land and commodity finance) the Bank makes use of the supervisory slotting approach to map internal ratings to five supervisory categories, each of which is associated with a specific risk weight. A rating model has been developed for the property development finance (high-volatility commercial real estate) portfolio, which allows the Bank to utilise its own estimates of PD for this portfolio for internal purposes.

Equities

The Bank utilises the simple risk-weighted method for equity exposures that are held in its banking book, other than in respect of investments in property holding and development companies where the PD/LGD approach is utilised. These equity exposures typically originate when the Bank takes an equity stake in a property company over and above normal lending exposure to such entity, and both the equity and lending exposures are accorded the same PD, although the prescribed supervisory LGD of 90 per cent is used for the equity exposure.

Retail

The Bank's retail portfolio comprises a number of sub-portfolios, including the following:

- residential mortgages;
- vehicle and asset finance;
- credit cards;
- personal loans;
- small business services (retail SMEs); and
- overdrafts.

All applications are rated at inception by way of a number of bespoke rating scorecards tailored to the various segments that make up the portfolio. These scorecards have been internally developed and are based on the Bank's own default experience for this portfolio and developed on internal data, relevant credit bureau data or a suitable combination thereof.

The existing sub-portfolios are rerated monthly via a range of bespoke behavioural scorecards that have been developed based on the Bank's own internal data and experience of the portfolios.

Given the volumes of default data that exist in respect of retail portfolios, a pure statistical approach has been followed in respect of all rating models, including PD, LGD and EAD. Models are developed in accordance with best-practice methodologies. As the large data volumes used to develop these models mean that the likelihood of statistical anomalies is considerably reduced, rating overrides are not permitted on retail exposures.

The Bank has implemented processes within its AIRB Framework to conduct validation and so actively monitor the performance of all models, including analysing model predictions against actual outcomes. Formal validation of the models takes place at least annually and the models are also monitored on an ongoing basis to ensure that they remain predictive and stable

Market risk

Market risk comprises three main areas:

- Market risk (or position risk) in the trading book, which arises exclusively in Nedbank Capital.
- Equity risk (a subrisk of investment risk) in the banking book, which arises in the private equity and property portfolios of Nedbank Capital and Nedbank Corporate respectively and in other strategic investments of the Group; and property market risk (also a subrisk of investment risk), which arises from business premises, property required for future expansion and properties-in-possession (PIPs).
- IRRBB, which arises from repricing and/or maturity mismatches between on- and off-balance-sheet components across all the business clusters.

- Liquidity and foreign currency translation risk arising from mismatches between assets and liabilities originating from all business clusters.

Market risk strategy, governance and policy

The Group Market Risk Management Framework, including governance structures, is in place to achieve effective independent monitoring and management of market risk as follows:

- The Group Risk and Capital Management Committee.
- The Group ALCO, which is responsible for ensuring that the impact of market risks is being effectively managed and reported on throughout the Group, and that all policy, risk limit and relevant market risk issues are reported to the Group Risk and Capital Management Committee.
- The Trading Risk Committee, which is responsible for ensuring independent oversight and monitoring of the trading market risk activities of the trading areas. In addition, the Trading Risk Committee approves new market risk activities and appropriate trading risk limits for the individual business units within the trading area. Committee meetings are held monthly and are chaired by the Head of Group Market Risk Monitoring (GMRM). Members include the Chief Risk Officer (CRO), risk managers from the cluster, the cluster's Managing Executive and Executive Head of Risk as well as representatives from GMRM.
- An independent function within the Group Risk Division, namely GMRM, which monitors market risks across the Group – this is a specialist risk area that provides independent oversight of market risk, validation of risk measurement, policy coordination and reporting.
- The federal model followed by the Group in terms of which business clusters are responsible and accountable for the management of the market risks that emanate from their activities, with a separate risk function within each cluster.
- Specialist investment risk committees within the business areas. Meetings are convened monthly and as required to approve acquisitions and disposals, and on a quarterly basis to review investment valuations and monitor investment risk activities. Membership includes the CRO, Chief Financial Officer (CFO), Managing Executive and Executive Head of Risk of the relevant business cluster as well as a representative from GMRM.

The Board ultimately approves the market risk appetite and related limits for both the banking book (asset and liability management and investments) and the trading book. GMRM reports on the market risk portfolio and is instrumental in ensuring that market risk limits are compatible with a level of risk acceptable to the board. No market risk is permitted outside these board-approved limits. Hedging is an integral part of managing trading book activities on a daily basis. Banking book hedges are in line with Group ALCO strategies and stress testing is performed monthly to monitor residual risk.

Nedbank Capital is the only cluster in the Group that may incur trading market risk, but is restricted to formally approved securities and derivative products. Products and product strategies that are new to the business undergo a new-product review and approval process to ensure that their market risk characteristics are understood and can be properly incorporated into the risk management process. The process is designed to ensure that all risks, including market, credit (counterparty), operational, legal, tax and regulatory (e.g. exchange control and accounting) risks are addressed and that adequate operational procedures and risk control systems are in place.

In terms of market trading activities the Group is adequately capitalised. In terms of economic capital, the capital requirement is based on value-at-risk (VaR) trading limits, which is a conservative approach as limit utilisation is generally moderate. In addition to VaR, stress testing is applied on a daily basis to identify exposure to extreme market moves.

Trading market risk governance structure

The trading market risk governance structure is aligned with the generic Group Market Risk Management Framework mentioned above. The relevant documentation has been comprehensively reviewed to ensure that an appropriate management and control environment supports the aspiration of a world class risk management environment. At the end of 2010 the Group's application for approval to use the Internal Model Approach (IMA) for regulatory market risk measurement was approved by the South African Reserve Bank (SARB) with effect 1 January 2011. The SARB also conducted a formal annual review of the Bank's internal model at the end of 2012 and renewed the approval.

The Bank has implemented the Basel III requirements regarding the trading book and will be reporting the CVA charge from 1 January 2013, although the SARB approved a 0% weight on ZAR derivatives for a period of 12 months.

The daily responsibility for market risk management resides with the trading business unit heads in Nedbank Capital. Nedbank Capital has a market risk team that operates independently of the dealing room and is accountable for independent monitoring of the activities of the dealing room within the mandates agreed by the Trading Risk Committee. Independent oversight is provided to the business by GMRM.

Market risk reports are available at a variety of levels and details, ranging from individual-trader level right through to a Group level view of market risk. Market risk limits are approved at board level and are reviewed periodically, but at least annually. The limits approved by the board are VaR and stress trigger limits. These limits are then allocated within the business clusters and exposures against these limits are reported on to management and Bank executives on a daily basis. Market risk exposures are measured and reported on a daily basis. Documented policies and procedures are in place to ensure that exceptions are timeously resolved.

Additional risk measures have been set to monitor the individual trading desks and include performance triggers, approved trading products, concentration of exposures, maximum tenor limits and market liquidity constraints.

Trading market risk

Trading market risk is the potential for changes in the market value of the trading book resulting from changes in the market risk factors over a defined period. The trading book is defined as positions in financial instruments and commodities, including derivative products and other off-balance-sheet instruments that are held with trading intent or used to hedge other elements of the trading book.

Categories of trading market risk include exposure to interest rates, equity prices, commodity prices, currency rates and credit spreads. A description of each market risk factor category is set out below:

- Interest rate risk primarily results from exposure to changes in the level, slope and curvature of the yield curve and the volatility of interest rates.
- Equity price risk results from exposure to changes in the price and volatility of individual equities and equity indices.
- Commodity price risk results from exposure to changes in spot prices, forward prices and volatilities of commodity products such as energy, agricultural products, and precious and base metals.
- Currency rate risk results from exposure to changes in spot prices, forward prices and volatilities of currency rates.
- Credit spread risk results from exposure to changes in the interest rate that reflects the spread investors receive for bearing credit risk.

Most of the Group's trading activity is executed in Nedbank Capital. This includes market-making and the facilitation of client business in the commodity, equity, credit, interest rate, and currency markets.

In addition to applying business judgement, management uses a number of quantitative measures to manage the exposure to trading market risk. These measures include:

- risk limits based on a portfolio measure of market risk exposures referred to as VaR, including expected tail loss; and
- scenario analysis, stress tests and other analytical tools that measure the potential effects on the trading revenue arising in the event of various unexpected market events.

The material risks identified by these measures are summarised in daily reports that are circulated to, and discussed with, senior management.

VaR is the potential loss in pretax profit due to adverse market movements over a defined holding period with a specified confidence level. The 99 per cent one-day VaR number used by the Group reflects, at a 99 per cent confidence level, that the daily loss will not exceed the reported VaR and therefore that the daily losses exceeding the VaR figure are likely to occur, on average, once in every 100 business days. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognising offsetting positions and correlations between products and markets. VaR facilitates the consistent measurement of risk across all markets and products, and risk measures can be aggregated to arrive at a single risk number.

The Group uses one year of historical data to estimate VaR. Some of the considerations that should be taken into account when reviewing the VaR numbers are:

- The assumed one-day holding period will not fully capture the market risk of positions that cannot be liquidated or offset with hedges within one day.
- The historical VaR assumes that the past is a good representation of the future, which may not always be the case.
- The 99 per cent confidence level does not indicate the potential loss beyond this interval.

While VaR captures the Group's exposure under normal market conditions, sensitivity and stress scenario analysis (and in particular stress testing) are used to add insight into the possible outcomes under abnormal market conditions. This also includes 'stress VaR' that uses historical data from the most stressful period in recent history.

In addition, other risk measures are used to monitor the individual trading desks and these include performance triggers, approved trading products, concentration of exposures, maximum tenor limits and market liquidity constraints. Market risk is governed by a number of policies that cover management, identification, measurement and monitoring. In addition, all market risk models are subject to periodic independent validation in terms of the Group Market Risk Management Framework. Market risk reports are available at a variety of levels and detail, ranging from an individual-trader level right through to a Group level view.

Equity Risk (Investment Risk) in the Banking Book

Equity risk in the banking book arises in the private equity and property portfolios of Nedbank Capital and Nedbank Corporate respectively and in other strategic investments of the Group.

Equity investments held for capital gain are generally classified as fair value through profit and loss, with fair-value gains and losses reported in non-interest revenue. Strategic investments are generally classified as 'available for sale', with fair-value gains and losses recognised directly in equity.

Specialist investment committees are convened as required to approve acquisitions and disposals, and on a quarterly basis to review investment valuations and monitor investment risk activities. Membership includes the Chief Risk Officer, Chief Financial Officer, Managing Executive and Executive Head of Risk of the relevant business cluster as well as a representative from GMRM.

Asset and liability management

ALM addresses three of the Bank's major risk types, namely liquidity risk, interest rate risk in the banking book and foreign currency translation risk in respect of foreign investments and/or foreign loans or borrowings.

ALM forms part of the Balance Sheet Management cluster ("**BSM**") and supports ALCO in terms of facilitating this committee's responsibility regarding these three important risks. ALM is supported by an established ALM desk and maintains close interaction with the centralised funding desk, both of which are located in the Treasury dealing room. These desks facilitate the implementation of on and off-balance-sheet strategies by providing access to products and tools available within Group Treasury.

Liquidity Risk

There are two types of liquidity risk, namely funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Group is unable to meet its payment obligations as they fall due. These payment obligations could emanate from depositor withdrawals, the inability to roll over maturing debt or meet contractual commitments to lend. Market liquidity risk is the risk that the Group will be unable to sell assets, without incurring an unacceptable loss, in order to generate cash required to meet payment obligations under a stress liquidity event.

The primary role of a bank in terms of financial intermediation is the transformation of short-term deposits into longer-term loans. By fulfilling the role of maturity transformation banks are inherently susceptible to liquidity mismatches and consequently funding and market liquidity risks. Through the robust Liquidity Risk Management Framework the Group manages the funding and market liquidity risk to ensure that banking operations continue uninterrupted under normal and stressed conditions. The key objectives that underpin the Liquidity Risk Management Framework include maintaining financial market confidence at all times, protecting key stakeholder interests and meeting regulatory liquidity requirements.

The international financial market turbulence witnessed during 2007 and 2008 have sharply focused attention on the crucial role liquidity plays in assuring the effective functioning of the banking sector and related markets. The impact of these events on the Bank were not material, primarily because of the Bank's non-material foreign-funding requirements, small relative international footprint and small conduit business. In addition the Bank had no direct exposure to the US sub-prime market.

Liquidity risk governance structures

The Board retains ultimate responsibility for the effective management of liquidity risk. Through the Group Risk and Capital Management Committee (a Board subcommittee) the Board has delegated its responsibility for the management of liquidity risk to the Group ALCO and Executive Risk Committee.

The Group's Liquidity Risk Management Framework articulates the Board-approved risk appetite in the form of limits and guidelines, and sets out the responsibilities, processes, reporting and assurance required to support the management of liquidity risk. The Liquidity Risk Management Framework is reviewed annually by Group ALCO and approved by the Group Risk and Capital Management Committee.

Within the Group's BSM cluster a dedicated funding and liquidity function is responsible for the strategic management of funding and liquidity across the Group. The Group's daily liquidity requirements are managed by an experienced centralised funding desk (CFD) within Group Treasury. Within the context of

the board-approved Liquidity Risk Management Framework, BSM and the CFD are responsible for proactively managing liquidity risk at an operational, tactical and strategic level.

In terms of the overall liquidity risk management process independent oversight and assurance are provided by Group Market Risk Monitoring (GMRM) and Group Internal Audit (GIA), which conduct independent reviews.

In the case of the Group's subsidiaries and foreign branch, liquidity risk is managed through the individual ALCO's established in each of these businesses. These businesses are required to have appropriate governance structures, processes and practices designed to identify, measure, manage and mitigate liquidity risk in accordance with the Group's Liquidity Risk Management Framework. These businesses are required to report into the Group ALCO on a monthly basis.

Liquidity risk management and management processes

Based on the BCBS principles for sound liquidity risk management and other best-practice principles, the Group's Liquidity Risk Management Framework takes into account all sources and uses of liquidity and seeks to optimise the balance sheet by balancing the trade-off between liquidity risk on the one hand and cost or profitability on the other. This optimisation process is managed by taking cognisance of:

- the Group's contractual maturity mismatch between assets and liabilities;
- the business-as-usual mismatch arising from normal market conditions;
- the stress mismatch or stress funding requirement (SFR) likely to arise from a continuum of plausible stress liquidity scenarios; and
- the quantum of stress funding sources (SFS) available to meet a scenario-specific stress funding requirement.

Embedded within the Liquidity Risk Management Framework is the Group's Internal Liquidity Adequacy Assessment Process ("**ILAAP**"). The ILAAP involves an on-going and rigorous assessment of the Group's liquidity self-sufficiency under a continuum of stress liquidity scenarios, taking cognisance of the board approved risk appetite. The ILAAP also involves an on-going review and assessment of all components which collectively make up and / or support the Liquidity Risk Management Framework. The objective of this review and assessment process is to ensure that the framework remains sound in terms of measuring, monitoring, managing and mitigating liquidity risk, taking cognisance of best practise and regulatory developments.

In terms of the new liquidity standards issued by the BCBS on the 16 December 2010 many of the key principles are already encapsulated into the Liquidity Risk Management Framework.

In May 2012 the SARB issued Guidance Note 05/2012 stating that it would allow banks to include cash reserves in the calculation of the Basel III liquidity coverage ratio ("**LCR**") and that it would provide a committed liquidity facility ("**CLF**") for an amount up to 40% of the LCR requirements. Guidance Note 05/2012 contained details regarding acceptable collateral for the CLF. In August 2013 SARB issued Guidance Note G6/2013 which replaces Guidance Note 05/2012. Guidance Note G6/2013 sets out further details of the size of CLF. The CLF is only available to banks with a LCR shortfall and is capped at 40% of the total amount of high-quality liquid assets ("**HQLA**") a bank is required to hold in ZAR (based on the estimated requirements as from 2019). Guidance Note G6/2013 also sets out the general guidelines on SARB's preferences for the collateral requirements and the characteristics with which collateral for the CLF must comply.

Taking into account Bank's cash reserves, the liquid assets held for regulatory purposes, the surplus liquidity buffer and the Bank's anticipated use of the CLF, on a pro forma basis, the Bank is compliant already with the 2019 Basel III LCR requirement.

Meeting the LCR requirement was further assisted by the announced amendments to the LCR by the BCBS on 6 January 2013. The amendments are positive in that they provide banks with the following:

- a longer lead time to implement the LCR;
- a broader definition of qualifying HQLA that can be held in the bank's liquidity buffers; and
- a reduced liquidity buffer requirement given refinements to various cash outflow assumptions in the LCR formula.

Based on industry estimates, compliance with the Basel III net stable funding ratio ("**NSFR**") remains structurally challenging and consequently the Bank will continue to work closely with the SARB, peer groups and National Treasury in terms of addressing the structural challenges while being mindful of the fact that the BCBS is likely to consider fundamental changes to the NSFR well ahead of its targeted implementation date of January 2018. Having finalised the LCR, the BCBS has formally announced that it will, as a matter of priority, now focus on the NSFR over the next two years.

The Liquidity Risk Management Framework is supported by a number of management processes designed to manage and mitigate liquidity risk under normal and stressed market conditions. The key management processes and activities are summarised below:

Intraday liquidity risk management: The need to manage and control intraday liquidity in real time is recognised by the Group as a critical process. The centralised funding desk is responsible for ensuring that the Bank always has sufficient intraday liquidity to meet any obligations it may have in the clearing and settlement systems. In addition, net daily funding requirements are forecast by estimating daily rollovers and withdrawals and managing the funding pipeline of new deals. The centralised funding desk is responsible for maintaining close interaction with the Bank's larger depositors in order to manage their cash flow requirements and the consequential impact on the bank's intraday liquidity position.

Portfolio of marketable liquid assets and collateral: A portfolio of marketable and highly liquid assets is maintained, which could be liquidated to meet unforeseen or unexpected funding requirements. The market liquidity by asset type (and for a continuum of plausible stress scenarios) is considered as part of the internal stress-testing and scenario analysis process. The quantum of unencumbered assets available as collateral for stress funding is measured and monitored on an ongoing basis. The Group's sources of quick liquidity available for stress funding requirements amounted to R105.4 billion at 31 December 2012.

Funding strategy formulation and execution: In terms of achieving the Board approved liquidity risk appetite the BSM cluster formulates a detailed funding strategy on an annual basis, which is approved by Group ALCO. The execution of the annual funding plan is then monitored monthly through the Funding Strategy Forum and Group ALCO. As per the current funding strategy the key objectives can be summarised as follows:

- Continue to diversify the funding base to achieve an optimal mix between wholesale, commercial and retail funding;
- Lengthen the funding profile to achieve the targeted contractual and business-as-usual maturity mismatch;
- Achieve the lowest weighted average funding cost within the context of the target liquidity risk profile.

Scenario analysis and stress testing: The BSM cluster conducts regular scenario analysis and stress testing in order to assess the adequacy of the Group's liquidity buffers and contingency funding plans required to meet idiosyncratic and market-wide stress liquidity events. Through scenario analysis and stress testing the BSM is able to achieve the following:

- Evaluate the impact of various scenarios on the Group's liquidity;
- Set limits and guidelines designed to position the Group better for a stress liquidity event;
- Formulate appropriate actions designed to reduce the severity of a liquidity crisis;
- Determine appropriate funding strategies and initiatives designed to support liquidity risk mitigation; and
- The objective of scenario analysis and stress testing is to identify potential weaknesses or vulnerabilities, thus enabling the Group to formulate strategies designed to mitigate potential weaknesses.

Stress and scenario testing is a key risk management process that complements sound liquidity risk management and contingency planning.

Contingency funding and liquidity planning: The Group's Liquidity Risk Contingency Plan (LRCP) as set out in the Liquidity Risk Management Framework is designed to protect depositors, creditors and shareholders of the Group under adverse liquidity situations. The LRCP has been formulated on the belief that early detection, advance preparations and prompt responses can contribute to liquidity crisis avoidance or minimisation, and that accurate, timely and coordinated communication both internally and externally is essential for managing a crisis situation. The LRCP establishes guidelines for managing a liquidity crisis, identifying early warning signs of a possible liquidity event and the need for heightened liquidity risk monitoring and reduced liquidity risk exposure. In addition, the LRCP identifies the individuals responsible for formulating and executing the Group's response to a liquidity event ('the Liquidity Steering Committee').

Interest rate risk in the banking book

The Group is exposed to interest rate risk in the banking book (IRRBB) primarily due to the following:

- The Bank writes a large quantum of prime-linked advances.
- To lengthen the funding profile of the Bank, term funding is raised across the curve at fixed-term deposit rates that reprice only on maturity.
- Three-month repricing swaps and forward rate agreements are typically used in the risk management of term deposits and fixed-rate advances.
- Short-term demand funding products reprice to different short-end base rates.
- Certain non-repricing transactional deposit accounts are non-rate-sensitive.
- The Bank has a mismatch in net non-rate-sensitive balances, including shareholders' funds that do not reprice for interest rate changes.

This is evident when reflecting on the Group's balance sheet repricing profile before hedging. The balance sheet is clearly asset-sensitive as assets reprice quicker than liabilities due to the extent of prime-linked advances, followed by a repricing of term deposits as they mature out to one year and fixed-rate advances as they mature after that. A net non-rate-sensitive credit balance sheet position remains, which comprises equity, non-repricing transactional deposits, debtors, fixed assets and creditors.

IRRBB comprises:

- Repricing risk (mismatch risk) – timing difference in the maturity (for fixed rate) and repricing (for floating rate) of bank assets, liabilities and off-balance sheet positions.

- Reset or basis risk – imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar repricing characteristics.
- Yield curve risk – changes in the shape and slope of the yield curve.
- Embedded optionality – the risk pertaining to interest-related options embedded in bank products.

IRRBB strategy, governance, policy and processes

IRRBB is managed within the Group's ERMF under market risk. The Board retains ultimate responsibility for the effective management of IRRBB. Through the GRCMC (a Board sub-committee) the Board has delegated its responsibility for the management of IRRBB to the Group ALCO. The Group ALCO, a sub-committee of the Board's GRCMC, proactively manages IRRBB. BSM provides strategic insight and motivation in managing IRRBB to Group ALCO through appropriate risk reporting and analytics and by providing strategic input based on the committee's interest rate views, impairment sensitivity and defined risk appetite.

The Board assumes ultimate responsibility for IRRBB and has defined the Group's overall risk appetite for IRRBB. Appropriate limits have been set to measure this risk for both earnings and economic value, within which this risk must be managed. Compliance with these limits is measured and reported to the Group ALCO and the board on a monthly basis.

IRRBB is actively managed through a combination of on- and off-balance sheet strategies, including hedging activities. Hedging is typically transacted on a portfolio basis for deposits and retail advances, albeit that larger, longer-dated deposits along with fixed-rate advances are typically individually hedged. The principal interest-rate-related contracts used include interest rate swaps and forward rate agreements. Basis products, caps, floors and swaptions may be used to a lesser extent. The principal on-balance sheet components used in changing the repricing profile of the balance sheet include the liquid asset portfolio, term deposits and fixed-rate advances. IRRBB strategies are evaluated regularly to align with interest rate views, impairment sensitivity and defined risk appetite.

Group ALCO continues to analyse and manage IRRBB incorporating the likely change in impairments for similar interest rate changes. This relationship between interest rate sensitivity and impairments, which is seen as a natural net income hedge, is a key focus of the Group ALCO in managing IRRBB. This analysis includes an assessment of the lag in impairment changes and the increasing change in impairment charges for consecutive interest rate changes. Due to the complexity in determining the extent of this natural net income hedge, particularly during interest rate peaks and troughs, the modelling of this relationship and associated risk management strategies is challenging and continues to be refined and improved.

On-balance sheet strategies are executed through any one of the business units, depending on the chosen strategy. Changes to the structural interest rate risk profile of the banking book are achieved primarily through the use of the derivative instruments mentioned above and/or new on-balance sheet products. Hedges are transacted through Group Treasury via the ALM desk, whereby unwanted IRRBB is passed through a marketmaking desk into market risk limits or into the external market.

Hedged positions and hedging instruments are regularly measured and stress-tested for effectiveness and reported to Group ALCO on a monthly basis. These hedged positions and hedging instruments are fair-valued in line with the appropriate accounting standards and designation. Group ALCO typically has strategic appetite up to one year and, largely as a matter of policy, eliminates reprice risk longer than one year, unless Group ALCO chooses to lengthen the investment profile of its equity and/or the non-repricing transactional deposit accounts in order to improve the alignment of interest rate sensitivity with impairment sensitivity or improve the balance sheet position for forecast interest rate changes. Such strategic decisions must however maintain interest rate sensitivity and the economic value of equity within board-approved limits.

IRRBB cannot be taken by business units and is accordingly extracted from these units via an established matched maturity funds transfer-pricing solution. This solution removes repricing risk from the business units, while leaving credit and funding spread in the businesses, on which they are measured. However, certain basis risk and the endowment on free funds and non-repricing transactional deposits reside within these businesses in order for basis risk to be managed through pricing and for the endowment on these balances to naturally hedge impairment sensitivity for similar interest rate changes. Strategies regarding the reprice risk are measured and monitored separately, having been motivated by the BSM cluster and approved by Group ALCO.

IRRBB measurement, policies and portfolio review

The Group employs various analytical techniques to measure interest rate sensitivity monthly within the banking book on both an earnings and economic value basis. This includes a repricing profile analysis, simulated modelling of the Bank's earnings-at-risk and economic value of equity for a standard interest rate shock, and stress testing of earnings-at-risk and economic value of equity for multiple stressed-interest rate scenarios. These analyses include the application of both parallel and non-parallel interest rate shocks and rate ramps.

Assets, liabilities and derivative instruments are modelled and reported based on their contractual repricing or maturity characteristics. Where advances are exposed to prepayments and deposits to ambiguous repricing, Group ALCO approves the use of prepayment models for the hedging of fixed rate advances and behavioural repricing assumptions for the modelling and reporting of ambiguous repricing deposits.

The Group's interest rate repricing profile graphically represents the repricing of floating-rate assets and liabilities and maturity of fixed-rate assets and liabilities through a repricing time series. The net repricing profile before hedging clearly highlights the asset sensitivity of the group's balance sheet. The net repricing profile after hedging highlights the impact of hedging that better aligns the repricing of assets and liabilities across the curve, with the residual risk largely transferred into the three-month repricing area.

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as private settlements.

Operational risk is not typically taken in pursuit of an expected return, but exists as part of the normal course of business at all levels. Operational risk management is aimed at protecting the business (by inter alia minimising internal losses, reducing cost, enhancing controls, preventing or detecting revenue leakage) and to build a durable business (for example, increase efficiencies and effectiveness, streamline processes, reduce waste, redundancy and downtime, introduce new internal controls, lessening the impact of external events – like natural disasters).

The Group's approach to managing operational risk

In December 2010 the SARB authorised the Group to use the Advanced Measurement Approach (AMA). Consequently, the Group now calculates its operational risk regulatory capital requirements using partial and hybrid AMA. Partial use is where a bank, controlling company or banking group is using AMA for some parts of its operations and The Standardised Approach (TSA) for the remainder of its operations. Hybrid AMA is the attribution of group operational risk capital to legal entities by means of an allocation mechanism.

The approval by the SARB confirms the existence, across the Group, of sound operational risk governance practices aimed at identifying, measuring, managing and mitigating operational risks. The Group continues to invest in the improvement of its operational risk measurement and management approaches.

The AMA Operational Risk Management Framework (ORMF) was approved by the Board's Group Risk and Capital Management Committee (GRCMC). The AMA methodologies contained therein have been rolled out and embedded in the businesses, including for the purposes of the ICAAP.

Business clusters act as the first line of defence and are responsible for the identification, management, monitoring and reporting of operational risk. Operational risk is reported and monitored through the divisional and cluster enterprisewide risk committees and overseen by the Group Operational Risk Committee (GORC) and the Board's Group Risk and Capital Management Committee (GRCMC). The Group Operational Risk Management division within the Group Risk cluster acts as the second line of defence in the Nedbank ERMF.

Specialist functions in Group Risk, for example Forensic Services, Business Continuity Planning, Group Legal, Information Security and Corporate Insurance, also assist Group businesses with specialist advice, policies and standard setting. Pervasive operational risk trends are monitored and reported on to the enterprisewide risk committees and, where appropriate, to GORC and to the Board's GRCMC. Group Internal Audit, being the third line of defence, provides assurance to GORC, GRCMC and the Board.

The primary responsibilities of Group Operational Risk Management are to develop, maintain and champion the Group ORMF, policies and enablers to support operational risk management in the business as well as implementation of the Basel II.5, regulatory requirements and international best practice for operational risk management. To ensure that the Bank's operational risk practices remain sound and aligned with new operational risk standards, the Bank benchmarked itself with the papers published by the BCBS in 2011: 'Principles for the Sound Management of Operational Risk' and 'Operational Risk and Supervisory Guidelines for the Advanced Measurement Approaches'.

Operational risk measurement, processes and reporting systems

The primary operational risk measurement processes in the Group include risk and control self-assessments, internal loss data collection processes and governance, the tracking of key risk indicators (KRIs), external loss data, scenario analysis and capital calculation, which are designed to function in an integrated and mutually reinforcing manner.

Risk and control self-assessment

Risk and control self-assessment is a forward-looking process through which business unit management identifies risks that could threaten the achievability of business objectives and offers a set of controls and actions to mitigate the risks.

Key risk indicators

KRIs are designed to be both forward and backward looking in the sense that they function not only as early warning indicators, but also as escalation triggers where set risk tolerance levels have been exceeded.

Internal loss data collection

The internal loss data collection process and tracking is backward looking and enables the monitoring of trends and the analysing of the root causes of loss events. Operational risk losses are reported in the Nedbank Internal Loss Data Collection System.

Boundary events

Boundary events are those losses and near misses that manifest themselves in other risk types, such as credit and market risk, but have relevance to operational risk because they emanate from operational breakdowns or failures. Boundary events are often identified by credit and market risk management, and are included in credit risk loss databases and operational risk capital calculations respectively.

Material credit risk events caused by operational failures in the credit processes are flagged separately in the Internal Loss Data Collection System. In line with the Banks Act and Basel II.5 requirements, holding of capital related to these events remains in credit risk. These events are included as part of the ORMF to assist in the monitoring, reporting and management of the control weaknesses and causal factors within the credit process.

Material market risk events caused by operational failures in the market risk processes are also flagged separately in the Internal Loss Data Collection System. The capital holding thereof is included in operational risk capital.

External loss data

External data is used to incorporate infrequent, yet relevant and potentially severe, operational risk exposures into the measurement model. The Group currently incorporates the effects of external data in the operational risk capital calculation model indirectly, in conjunction with the scenario analysis process.

The Bank is a member of and actively participates in working groups of the Operational Riskdata Exchange Association (ORX). ORX accumulates data submitted by each of the 61 member banks on a quarterly basis. In addition, the Group subscribes to the SAS OpRisk Global Database which is data sourced from the media and other sources within the public domain.

Scenario analysis

Operational risk scenario analysis is a required element of the AMA and is defined in the ORMF as one of the data sources for operational risk modelling and measurement. It serves as the main input for operational risk loss exposure estimation. Scenario analysis is conducted in a disciplined and structured way using expert judgement to estimate the operational risk exposure of the Group. Scenario analysis focuses on solvency and aims to identify the major operational risks that can negatively affect the solvency of the Group.

The Bank shares and uses a set of anonymous operational risk scenarios shared through ORX in order to identify trends and benchmark with international peers.

Business environment and internal control factors (BEICFs)

The Group takes into account BEICFs during the conduct of risk and control self-assessments. Consideration of BEICF enables the Group to take into account any changes in the external and internal business environment, consider inherent risks as a result of any changes in the business environment and design appropriate controls.

Capital modelling and capital allocation

The Bank calculates its operational risk regulatory capital requirements using partial and hybrid AMA with effect from 31 December 2010. The majority of the Group is on AMA and only a small portion of the group is on the TSA (10%) which includes operations in the Rest of Africa.

Under AMA, the Bank has approval to use an internal model to more accurately determine risk-based operational risk capital requirements for all business units on AMA. Internal loss data and operational risk scenarios represent the main input into the model. The outputs of the other data elements, internal loss data, external loss data and BEICFs are the main inputs into the scenarios.

The model generates a regulatory capital requirement, which is determined at a 99,9% confidence level. The final capital is then calculated by including updates for TSA entities and meeting SARB minimum requirements relating to a capital floor.

The model and outputs undergo a robust annual validation exercise. Any issues identified are reported, tracked and addressed in accordance with the Bank's risk governance processes.

Operational risk capital is allocated on a risk-sensitive basis to clusters in the form of economic capital charges, providing an incentive to improve controls and to manage these risks within established operational risk appetite levels.

Operational risk appetite

The Bank has a Board-approved operational risk appetite statement which is aligned to the Group Risk Appetite Policy. The operational risk appetite combines both quantitative metrics and qualitative judgement to encapsulate financial and non-financial aspects of operational risk. The operational risk appetite statement makes explicit reference to key operational risks. The Group continues to focus on refining the operational risk appetite and participates in industry forums such as ORX to continuously enhance the process and remain aligned with international leading practice.

Reporting

A well-defined and embedded reporting process is in place. Operational risk profiles, loss trends and risk mitigation actions are reported to and monitored by the risk governance structures of the Group.

Managing subcomponents of operational risk

Specific subcomponents of operational risks recognised and managed by the Group include:

Financial crime - The Group considers financial crime to be a major operational risk that has the potential to lead to significant losses. As such, the Group undertakes vigorous active risk management to mitigate this risk.

Legal risk - Legal risk management involves activities aimed at managing a particular set of legal risks and/or risks that can be addressed by legal means. The Basel II.5 definition for legal risk includes, but is not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements. The Group has a decentralised legal risk management model. The Group's experts in various legal fields ensure conformity with the business and legal principles that apply in the jurisdictions where the Group does business.

Compliance and regulatory risk - Compliance and regulatory risk has become increasingly significant given the heightened regulatory environment in which financial services organisations operate. The Group remains committed to the highest regulatory and compliance standards, especially given the increasing scale and complexity of laws and regulations. The fact that the Group operates globally means it is subject to a variety of complex local and international laws, regulations and supervisory requirements. The Group therefore has extensive Board-approved policies, procedures and governance structures in place to direct compliance risk management and associated activities. The Board also exercises its oversight of compliance risk via the Directors' Affairs Committee. In addition, the Group has an independent Enterprise Governance and Compliance function that forms part of the second line of defence within its risk management model.

Information security risk - Information security risk arises from an inability to ensure the confidentiality, integrity and availability of business and client information for which the Group is accountable. All Group information security responsibilities have been consolidated and fall within the responsibility of the Chief Information Security Officer (CISO). The Bank is a member of the Information Security Forum (ISF) and subscribes to the ISF's Standards of Good Practice as part of the Information Security Management Framework.

Physical security risk - The Bank strives to make its physical environment safe and secure for customers and staff. The Bank continues to participate in SABRIC initiatives and collaborate with the South African Police Service and the National Prosecuting Authority (NPA) in combating crime.

Money laundering, terrorist financing and sanctions risk management - The Group will not be associated with money laundering or terrorist financing. The Group endeavours to identify any business relationships or applications for business relationships or transactions with individuals, entities and countries targeted in financial sanctions legislation. Clearly defined policies, processes, practices, procedures and plans ensure compliance with all statutory duties and regulatory obligations or, in the absence of these, agreed standards. The Business Risk Management Forum (BRMF), a Group executive subcommittee chaired by the Chief Risk Officer, is mandated to provide among others strategic direction for, and monitor the effective implementation of:

- anti-Money-Laundering (AML);
- combating the Financing of Terrorist and related activities (CFT); and
- sanctions compliance initiatives throughout the group.

Business Continuity Management - Business Continuity Management (BCM) is aimed at ensuring resilient Group business activities in emergencies and disasters. The BCM function provides overall guidance and direction, monitors compliance with regulatory and best-practice requirements and facilitates regular review of BCM practices. Identified critical business units conduct annual business recovery tests from three regional business resumption areas.

Insurance obtained to mitigate the bank's exposure to operational risk - Continuous modification to the Group insurance programmes, taking into account insurance market appetite/product offering and the Bank's changing needs, ensures the Group has a well structured insurance programme for its financial and nonfinancial operational risk exposures. The Group insurance operation reports to the Group Chief Risk Officer and is responsible for the design and management of the principal insurance programmes addressing the Group insurable, operational risk exposures. This function is responsible for ensuring that the cover purchased for the Group is up to date with the best coverage available within the insurance markets and relevant to the Group's operating environment. Cover is reviewed annually and, wherever possible, extended to align with the Group's strategy and aspirations.

The division also ensures that cover is purchased where required to meet any statutory or regulatory requirements. The primary insurance policies that cover exposures to operational risk include:

- financial lines insurance (comprehensive crime, professional indemnity and fraud);
- assets all risks insurance (eg damage to physical assets); and
- general insurance (eg motor insurance, public liability, travel, terrorism and sabotage).

THE BANKING SECTOR IN SOUTH AFRICA

Introduction

The Issuer and the Controlling Company are subject to government regulation in South Africa. Regulatory agencies have broad jurisdiction over many aspects of the Issuer's business (and, to a lesser extent, the Controlling Company's business), which may range from capital adequacy, funding and liquidity risk management and credit risk management to practices relating to marketing and selling, advertising, licensing agents, policy forms, terms of business and permitted investments.

The Issuer holds a full banking licence issued by the Registrar of Banks (see "*South African Reserve Bank*" below, "*Banks Act, 1990: General*" below and "*Banks Act, 1990: Basel III*" below). The Issuer is an "authorised dealer" in foreign exchange in terms of the Exchange Control Regulations, 1961 promulgated under the Currency and Exchanges Act, 1933. The Issuer is a central securities depository participant in Strate Limited, and is a full member of the JSE Limited, in terms of the Financial Markets Act, 2012 (see "*Financial Markets Act, 2012*" below). The Issuer is also an authorised "financial services provider" licensed by the Registrar of Financial Services Providers in terms of the Financial Advisory and Intermediary Services Act, 2002 (see "*Financial Advisory and Intermediary Services Act, 2002*" below).

South African banking system

The South African banking system is well developed and effectively regulated, comprising a central bank (the South African Reserve Bank ("**SARB**")), several large, financially strong banks and investment institutions, and a number of smaller banks. Many foreign banks and investment institutions have also established operations in South Africa over the past decade. The South African Government is part of the G20 group of nations and is a subscriber to the IMF and World Bank regulations, policies and review processes. The South African Government is a member of the International Liaison Group of the Basel Committee on Banking Supervision.

Financial regulation legislation in South Africa is increasingly following international best practice through the accords of international bodies such as the Bank of International Settlements (BIS), the International Organization of Securities Commissions (IOSCO) and the International Association of Insurance Supervisors (IAIS).

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

South African Reserve Bank

The SARB, through the office of the Registrar of Banks and the Banking Supervision Department of the SARB, is responsible for bank regulation and supervision in South Africa with the purpose of achieving a sound, efficient banking system in the interest of the depositors of banks and the economy as a whole. The SARB derives its powers from the Constitution of the Republic of South Africa, 1996 and the South African Reserve Bank Act, 1989 ("**SARB Act**"). In terms of the SARB Act, the SARB must, among other things, perform such functions of bankers and financial agents as central banks customarily perform.

The Banking Supervision Department of the SARB performs its regulatory and supervisory functions through the office of the Registrar of Banks.

South African banks and South African banking branches of foreign banks are regulated by the SARB, through the office of the Registrar of Banks and the Banking Supervision Department of the SARB, and are required to comply with the Banks Act, 1990 ("**Banks Act**") and the Regulations Relating to Banks promulgated under the Banks Act published as No. R. 1029 in *Government Gazette* No. 35950 of 12 December 2012 ("**Regulations Relating to Banks**").

The Banks Act and its subordinate legislation (including the Regulations Relating to Banks) are amended on an ongoing basis to incorporate the requirements issued by the Basel Committee on Banking Supervision ("BCBS"). The Banks Act, the Regulations Relating to Banks, other regulations issued under the Banks Act and the circulars and directives issued by the Registrar of Banks set out the framework which governs the formal relationship between South African banks and the SARB.

The Registrar of Banks issues banking licences to applicant institutions and monitors the activities of banks in terms of the Banks Act. The Registrar of Banks has extensive regulatory and supervisory powers.

Every bank is obliged to furnish certain prescribed returns to the Registrar of Banks in order to enable him to monitor compliance with the formal, prudential and other requirements imposed on banks by the Banks Act. The Regulations Relating to Banks may be (and are) amended from time to time in order to provide for amendments and additions to the prescribed returns, and the frequency of submission thereof. Reporting is generally done on a monthly basis on the prescribed forms. Some of these forms, such as the BA900 returns, are publicly disclosed by the SARB.

The Registrar of Banks acts with relative autonomy in executing his duties, but has to report annually to the Minister of Finance, who in turn has to table this report in Parliament. The extent of supervision entails the establishment of certain prudential requirements (for example the capital and liquidity requirements prescribed by the BCBS), and the continuous monitoring of a bank's adherence thereto through its supervision, review and evaluation process. The SARB also carries out various supervision activities related to compliance with the money laundering legislation being the Financial Intelligence Centre Act, 2001 (see "*Anti-money laundering legislation*" below).

The performance of individual banks is also monitored on an ongoing basis against developments in the banking sector as a whole. If deemed necessary, inspectors may be appointed to inspect the affairs of any bank, or any institution or person not registered as a bank, if there is reason to suspect that such an institution or person is carrying on the business of banking without a banking licence or appropriate exemption.

The Issuer and representatives of the Registrar of Banks meet at regular bi-lateral meetings, annual tri-lateral meetings (with the Issuer's auditors) and annual prudential meetings (with the heads of each of the Issuer's business divisions). The Issuer also engages in quarterly "group discussions" with the Registrar of Banks to assess its performance against its peer group and it is subject to on-site reviews.

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

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

Banks Act, 1990: General

One of the principal purposes of the Banks Act is to protect the public by regulating and supervising the entities which take their deposits. The relevant provisions of the Banks Act ensure that, for the protection of the public, deposits of money may only be made with and accepted by banks which are registered under, and regulated in terms of, the Banks Act, subject to certain specified exemptions.

No person may carry on "*the business of a bank*" unless such person is registered as a bank, or as the banking branch of a foreign bank, in terms of the Banks Act.

South African banks and South African banking branches of foreign banks are regulated by the SARB, through the office of the Registrar of Banks and the Banking Supervision Department of the SARB, and are required to comply with the Banks Act and the Regulations Relating to Banks. The Banks Act, the Regulations Relating to Banks, other regulations issued under the Banks Act and the circulars and directives issued by the Registrar of Banks set out the framework which governs the formal relationship between South African banks and the SARB (see "*South African Reserve Bank*" above).

In terms of the Banks Act, the Registrar of Banks has the right to apply for the winding-up of a bank in terms of the Companies Act (see "*Companies Act, 2008*" below) and he may oppose any such application by another person. Only a person approved by the Registrar of Banks may be appointed as the liquidator of a bank.

In addition, if, in the opinion of the Registrar of Banks, a bank will be unable to repay, when legally obliged to do so, deposits made with it or will probably be unable to meet any other of its obligations, the Minister of Finance may, if he or she deems it desirable in the public interest, by notifying the chief executive officer or the chairperson of the board of directors of that bank in writing, appoint a curator to the bank.

On appointment of a curator, (a) the management of the bank vests in the curator, subject to the supervision of the Registrar of Banks and (b) the curator must recover and take possession of all the assets of the bank. The curator may dispose of any of the banks' assets in the ordinary course of the bank's business.

The Minister of Finance may, in the relevant letter of appointment, empower the curator in his or her discretion, but subject to any condition which the Minister of Finance may impose, to (among other things):

- suspend or reduce the right of creditors of the bank concerned to claim or receive interest on any money owing to them by that bank;
- make payments, whether in respect of capital or interest, to any creditor or creditors of the bank concerned at such time, in such order and in such manner as the curator may deem fit;
- convene a meeting of creditors of the bank concerned for the purpose of establishing the nature and extent of the bank's indebtedness to such creditors and for consultation with such creditors in so far as their interests may be affected by decisions taken by the curator in the course of the management of the affairs of the bank concerned;
- negotiate with any individual creditor of the bank concerned with a view to the final settlement of the affairs of such creditor with the bank.

While a bank is under curatorship, among other things, all actions, legal proceedings, the execution of all writs, summonses and other legal process against the bank must be stayed and may not be instituted or proceeded with without the leave of the court.

Banks Act, 1990: Basel III

On 16 December 2010 the BCBS published the Basel III Accord. Basel III provides, among other things, for three "tiers" of eligible capital: (i) "*common equity tier 1 capital*", (ii) "*additional tier 1 capital*" and (iii) "*tier 2 capital*".

On and with effect from 1 January 2013 and 10 December 2013, respectively, Basel III was adopted and implemented in the South African regulatory framework with various phase-in and transitional arrangements until 1 January 2019.

The International BCBS Basel III quantitative impact studies ("**QIS**") enable selected banks to report figures to enable the BCBS to assess the impact of Basel III. These QIS reports are submitted on a bi-annual basis. The Issuer has participated fully in the QIS process.

The main changes under Basel III are summarised follows:

- Basel III provides for tighter definitions of what constitutes acceptable regulatory capital. Basel III places enhanced emphasis on the consistency and quality of capital and on curtailing, among other things, liquidity risk. From a capital perspective the most heavily impacted banks are likely to be those with relatively large capital market businesses, particularly trading activities, complex securitisations, over-the-counter derivatives (counterparty credit risk) and securities lending.
- Basel III allocates a higher regulatory capital value to shareholders' equity than to subordinated loss-absorbing debt, preference shares and hybrid capital. For example, it is expected that Tier 2 Capital will be allowed to constitute less than the current 33% of a bank's overall capital.
- Basel III has introduced two new buffers: a capital conservation buffer of 2.5% (if a bank's capital adequacy ratios fall below the minimum required ratio, including this buffer, the bank will be subject to dividend and bonus restrictions) and a countercyclical buffer that ranges between 0% and 2.5%, depending on whether the rate of credit extension exceeds the growth of the real economy. These buffers are due to be phased in from 2016, but market expectations could lead to earlier compliance.
- Basel III provides for a new maximum leverage ratio.

Basel III has introduced two new minimum liquidity standards – the liquidity coverage ratio ("**LCR**") and the net stable funding ratio ("**NSFR**"). From a liquidity perspective, many banks, domestic and foreign, now meet the LCR requirements following the BCBS announcement on the 06 January 2013. However, based on industry estimates, compliance with the NSFR remains structurally challenging and consequently the Issuer will continue to work closely with the SARB, peer groups and National Treasury in terms of addressing the structural challenges while being mindful of the fact that the BCBS is likely to consider fundamental changes to the NSFR well ahead of its targeted implementation date of January 2018. Having finalised the LCR, the BCBS has formally announced that it will, as a matter of priority, now focus on the NSFR over the next two years.

Basel III also provides for enhanced capital requirements for derivatives, repurchase and securities financing transactions.

In May 2012 the SARB issued Guidance Note 05/2012 stating that it would allow banks to include cash reserves in the calculation of the LCR and that it will provide a committed liquidity facility ("**CLF**") for an amount up to 40% of the LCR requirements. Guidance Note 05/2012 contained details regarding acceptable collateral for the CLF. In August 2013 the SARB issued Guidance Note G6/2013 which replaces Guidance Note 05/2012. Guidance Note G6/2013 sets out further details of the size of CLF. The CLF is only available to banks with a LCR shortfall and is capped at 40% of the total amount of high-quality liquid assets ("**HQLA**") a bank is required to hold in ZAR (based on the estimated requirements as from 2019). Guidance Note G6/2013 also sets out the general guidelines on the SARB's preferences for the collateral requirements and the characteristics with which collateral for the CLF must comply. Taking into account the Issuer's cash reserves, the liquid assets held for regulatory purposes, the surplus liquidity buffer and the Issuer's anticipated use of the CLF, on a pro forma basis the Issuer is compliant already with the 2015 Basel III LCR requirement.

Meeting the LCR requirement was further assisted by the announced amendments to the LCR by the BCBS on 6 January 2013. The amendments are positive in that they provide banks with a longer lead time to implement the LCR and have resulted in a broader definition of qualifying HQLA that can be held in the

bank's liquidity buffers. Lastly, these amendments have resulted in reduced liquidity buffer requirements given refinements to various cash outflow assumptions in the LCR formula.

Basel III is a minimum global standard and, accordingly, the Relevant Authority is not prevented from setting higher standards, as was done in South Africa with the implementation of Basel II.

The main impact of Basel III on South African banks is likely to be on the levels and composition of capital, the levels of highly marketable securities, liquidity risk and funding profiles and, accordingly, on the general cost of bank funding as banks look to optimally structure their capital base and reform their funding models to meet the requirements of the new liquidity ratios.

Loss absorption at the point of non-viability of the Issuer

Basel III requires the implementation of certain loss absorbent criteria under certain non-viability circumstances, as set out in the Basel III Accord ("**Loss Absorption PONV Requirements**").

Under the Loss Absorption PONV Requirements, the terms and conditions of all instruments, the proceeds of the issue of which rank (or are intended to rank) as Tier 2 Capital or Additional Tier 1 Capital must have a provision that requires such instruments, at the option of the Relevant Authority, to either be Written Off or Converted into "common equity" (that is, ordinary shares) upon the occurrence of the relevant Trigger Event unless, among other things, duly enforceable legislation is in place:

- that requires such instruments to be Written Off upon the occurrence of the Trigger Event; or
- that otherwise requires such instruments to fully absorb loss before taxpayers or ordinary depositors are exposed to loss.

As a minimum, the Trigger Event must be the earlier of:

- a decision that a Write-Off, without which the issuing bank would become non-viable, is necessary, as determined by the Relevant Authority; and
- the decision to make a public sector injection of capital, or equivalent support, without which the issuing bank would have become non-viable, as determined by the Relevant Authority.

South African implementation of Basel III

Regulations Relating to Banks

The amended Regulations Relating to Banks (which came into operation on 1 January 2013) provide, among other things, for the partial implementation of the Basel III Accord in South Africa and the requirements with which, among other instruments, the Subordinated Notes must comply in order for the proceeds of the issue thereof to as rank as Tier 2 Capital or Additional Tier 1 Capital.

Recent amendments to the Banks Act

The Regulations Relating to Banks were promulgated and came into operation on 1 January 2013 (see "Regulations Relating to Banks" above).

However, the required amendments to the Banks Act to provide, among other things, for the full implementation of the Basel III Accord in South Africa, were only recently promulgated and have only recently come into force (10 December 2013). These amendments are contained in the Banks Amendment Act, 2013, published in Government Gazette No. 37144 on 10 December 2013.

Capital Regulations

Given the uncertainties referred to under "*Uncertainties*" below as read with Guidance Note 7 (see "*Guidance Note 7*" below), the Capital Regulations are expected to include (i) legislation (including the Banks Act), (ii) regulations (including the Regulations Relating to Banks), (iii) the requirements, circulars,

guidance notes (including, without limitation, Guidance Note 7), directives and/or policies issued by the Relevant Authority from time to time relating to capital adequacy and/or the requirements with which instruments and/or shares must comply in order for the proceeds of the issue of such instruments and/or shares to qualify for inclusion in the Eligible Capital of a bank and/or its "controlling company" (as defined in the Banks Act) and/or (iv) the Additional Conditions, then in effect in South Africa.

Relevant Authority

The Relevant Authority will be the Registrar of Banks or such other governmental authority in South Africa (if any) as will have the responsibility of making decisions relating to the declaration of a bank as being non-viable, with the effect (as contemplated in the Regulations Relating to Banks) of triggering loss absorption within the relevant capital instruments.

Loss Absorption PONV Requirements

For purposes of the implementation of the Basel III Accord in South Africa, the Loss Absorption PONV Requirements are currently contractual in nature and the relevant contractual provisions are set out in the Regulations Relating to Banks as read with Guidance Note 7 (see "*Guidance Note 7*" below).

However, it is expected that duly enforceable legislation will be enacted in South Africa that will provide for, among other things, the Loss Absorption PONV Requirements (see "*Guidance Note 7*" below).

Uncertainties

Basel III, the Regulations Relating to Banks and the fact that the Banks Act has only recently been amended to provide for the full implementation of the Basel III Accord in South Africa (see "*Recent amendments to the Banks Act*" above), have introduced a number of uncertainties. Some of these uncertainties are summarised below:

There is uncertainty regarding the purely "discretionary" nature of the Trigger Event provided for in Regulations 38(13)(b) and 38(14) of the Regulations Relating to Banks and the criteria that will be taken into account by the Relevant Authority in determining the Trigger Event.

Regulations 38(13)(b) and 38(14) of the Regulations Relating to Banks provide that the Write-Off or Conversion must occur "*upon the occurrence of the trigger event specified in writing by the [Relevant Authority]*". Currently, there is nothing in Regulations 38(13)(b) and 38(14) of the Regulations Relating to Banks that requires the Relevant Authority to notify the Issuer or the relevant Noteholders that the Trigger Event has occurred.

A number of uncertainties remain in regard to the Conversion option.

Guidance Note 7

Guidance Note 3/2013 headed "*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital instruments*", dated 11 June 2013, issued by the Relevant Authority in terms of section 6(5) of the Banks Act ("**Guidance Note 3**"), clarified some, but not all, of the uncertainties described under "*Uncertainties*" above.

Guidance Note 7/2013 headed "*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital instruments*", dated 18 October 2013, was issued by the Relevant Authority in terms of section 6(5) of the Banks Act on 18 October 2013 ("**Guidance Note 7**") and replaces Guidance Note 3.

Banks are advised in Guidance Note 7 that SARB "*will continue to monitor international developments around the loss absorption requirements and, should it become necessary, issue further guidance*".

Guidance Note 7 has clarified some, but not all, of the uncertainties described under "*Uncertainties*" above. In particular, the CET1 Ratio criterion for determining the occurrence of the Trigger Event which

was provided for in Guidance Note 3 is now, under Guidance Note 7, only relevant in determining the occurrence of the Trigger Event which will be applicable to Additional Tier 1 Capital Instruments which are "accounted as liabilities". Accordingly, in terms of Guidance Note 7, the purely "discretionary" nature of the Trigger Event will remain applicable to Additional Tier 1 Notes which are "accounted as equity" (if any) and Tier 2 Notes.

The Issuer understands the interpretation of Guidance Note 7 to be as follows:

- The relevant Final Terms of a Series of Subordinated Notes must contain a provision that requires that Series of Subordinated Notes, at the occurrence of the Trigger Event (at the Discretion of the Relevant Authority), to either (i) be Written Off or (ii) be converted to the most subordinated form of equity ("**Conversion**", and "**Converted**" shall be construed accordingly).
- The "Trigger Event" for Additional Tier 1 Notes which are accounted as equity (if any) and Tier 2 Notes respectively will be the occurrence of the "trigger event" specified in writing by the Relevant Authority (as contemplated in Regulation 38(13)(b)(i) and Regulation 38(14)(a)(i) respectively of the Regulations Relating to Banks); *provided that*, as a minimum, the aforesaid "trigger event" shall be the earlier of:

- (a) a decision by the Relevant Authority that a write-off, without which the Issuer would become non-viable, is necessary; or
- (b) the decision by the Relevant Authority to make a public sector injection of capital, or equivalent support in respect of the Bank, without which the Issuer would become non-viable,

as contemplated in sub-paragraph (iii) of the proviso to Regulation 38(13)(b)(i) and sub-paragraph (iii) of the proviso to Regulation 38(14)(a)(i) respectively of the Regulations Relating to Banks.

- The "Trigger Event" for Additional Tier 1 Notes which are accounted as liabilities will be the first to occur of the following events:

- (a) the occurrence of the "trigger event" specified in writing by the Relevant Authority (as contemplated in Regulation 38(13)(b)(i) of the Regulations Relating to Banks); or
- (b) the CET 1 Ratio is equal to or falls below 5.875% of risk-weighted exposures.

The "trigger event" referred to in paragraph (a) above shall, as a minimum, be the earlier of:

- (a) a decision by the Relevant Authority that a write-off, without which the Issuer would become non-viable, is necessary; or
- (b) the decision by the Relevant Authority to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable,

as contemplated in sub-paragraph (iii) of the proviso to Regulation 38(13)(b)(i) of the Regulations Relating to Banks.

- Accordingly, in terms of Guidance Note 7 the purely "discretionary" nature of the Trigger Event will remain applicable to Additional Tier 1 Notes which are "accounted as equity" (if any) and Tier 2 Notes. The CET1 Ratio criterion for determining the occurrence of the Trigger Event which, in terms of Guidance Note 3, was applicable to all Additional Tier 1 Notes and Tier 2 Notes is now, under Guidance Note 7, only relevant in determining the occurrence of the Trigger Event which will be applicable to Additional Tier 1 Notes which are "accounted as liabilities".
- The Relevant Authority will notify the Issuer in writing once the Relevant Authority determines that the Trigger Event has occurred.

- Notwithstanding the occurrence of the Trigger Event, the Relevant Authority has a Discretion to (i) take action and allow the Write-off or Conversion to occur in order to effect an increase in the CET1 Ratio such that the Issuer will be deemed by the Relevant Authority to be viable again or (ii) take no action and not require the Write-off or Conversion to occur.
- The Issuer must specify in the relevant Final Terms whether a Series of Subordinated Notes will, at the occurrence of the Trigger Event (at the Discretion of the Relevant Authority), be Written Off or Converted.
- Write-off or Conversion of Subordinated Notes need only occur up until the point where the Issuer is deemed by the Relevant Authority to be viable again, as specified in writing by the Relevant Authority.
- Where Write-off applies to a Series of Subordinated Notes, the Unpaid Amount must be Written Off permanently with no provision for a write-up once the Issuer becomes viable again.
- In terms of statutory ranking, Additional Tier 1 Notes are likely to be Written Off or Converted prior to any Write-off or Conversion of Tier 2 Notes. The specific Subordinated Notes to be Written off or Converted at the occurrence of the Trigger Event (at the Discretion of the Relevant Authority) will be determined by the Relevant Authority.
- The Relevant Authority will also determine whether, at the occurrence of the Trigger Event (at the Discretion of the Relevant Authority), the Total Principal Amount or the Relevant Portion of the Principal Amount will be Written off or Converted, as applicable, such determination to be based on the book value of the relevant Subordinated Notes as reflected in the Issuer's financial statements or management accounts at the relevant time (with reference to the amount required to increase the CET1 Ratio such that the Issuer will be deemed by the Relevant Authority to be viable again).
- Where, at the occurrence of the Trigger Event, the Relevant Authority determines that the Relevant Portion of the Principal Amount will be Written off or Converted, then if, after the Write-Off or Converted, the Subordinated Notes are to be redeemed pursuant to the Terms and Conditions, the amount of principal and accrued but unpaid interest to be paid to the Subordinated Noteholders pursuant to such redemption must be irrevocably reduced by the Relevant Portion of the Principal Amount (plus accrued but unpaid interest on the Relevant Portion of the Principal Amount as at the occurrence of the Trigger Event).
- If the Issuer has both Tier 2 Notes and Other Tier 2 Capital Instruments in issue which are subject to Write-off or Conversion, as applicable, the Tier 2 Notes and the Other Tier 2 Capital Instruments will be treated *pari passu*, and a partial Write-off or Conversion may occur at the occurrence of the Trigger Event (at the Discretion of the Relevant Authority), up to the point where the Issuer is deemed by the Relevant Authority to be viable again, as specified in writing by the Relevant Authority.
- If the Issuer has both Additional Tier 1 Notes and Other Additional Tier 1 Capital Instruments in issue which are subject to Write-off or Conversion, as applicable, the Additional Tier 1 Notes and the Other Additional Tier 1 Capital Instruments will be treated *pari passu*, and a partial Write-off or Conversion may occur at the occurrence of the Trigger Event (at the Discretion of the Relevant Authority), up to the point where the Issuer is deemed by the Relevant Authority to be viable again, as specified in writing by the Relevant Authority.
- Where, at the occurrence of the Trigger Event, the Conversion of a Series of Subordinated Notes (i) cannot be undertaken for any reason or (ii) is not irrevocable or (iii) will not result in an immediate increase in the CET 1 Ratio, then that Series of Subordinated Notes must, instead of being

Converted, be Written Off in order to effect an increase the CET1 Ratio such that the Issuer will be deemed by the Relevant Authority to be viable again.

- SARB and the National Treasury are in the process of drafting legislation for the South African recovery and resolution regime that will also make provision for statutory bail-in. The scope and timing of this legislation are uncertain.

A number of the Conditions are based on (or extracted from) the applicable provisions of Guidance Note 7.

Tax consequences

The tax consequences to the Issuer, the Noteholder and (where applicable) the Controlling Company, of the compulsory Conversion of Subordinated Notes into ordinary shares or the compulsory Write-Off of Subordinated Notes, as applicable, upon the occurrence of the Trigger Event, are extremely complicated and a ruling in this regard may need to be obtained from the South African Revenue Service.

"Grandfathering" of capital instruments issued before 1 January 2013

The Loss Absorption PONV Requirements implemented in South Africa do not apply retrospectively and, accordingly, some or all of the capital instruments issued by the Issuer before 1 January 2013 will be "grandfathered", that is, phased out over a ten-year period from 1 January 2013.

The ability of the Issuer to replace these capital instruments with capital instruments which comply with Basel III and, where applicable, the Loss Absorption PONV Requirements, over the ten year period is uncertain, and will depend on the extent to which the uncertainties regarding the Regulations Relating to Banks and the Banks Act have been resolved, to enable the issue of such capital instruments in significant volumes, the appetite of the capital markets for capital instruments and the ability to issue such capital instruments at a price mutually acceptable to the Issuer and investors.

Bearing in mind the uncertainties referred to under "*Uncertainties*" and "*Guidance Note 3*" above, it is difficult for the Issuer to predict the precise effects of the changes that may result from the full implementation of Basel III in South Africa and/or what regulatory changes may be imposed in the future, or estimate, with accuracy, the impact that the full implementation of Basel III in South Africa and/or related regulatory changes that may be imposed in the future may have on the Issuer's business, the products and services it offers and the values of its assets. If, for example, the Issuer were required to make additional provisions, increase its reserves or capital, or exit or change certain businesses, as a result of the full implementation of Basel III in South Africa and/or related regulatory changes that may be imposed in the future, this could have an adverse effect on the Issuer's business, financial condition and results of operations.

Notwithstanding the above, the Issuer has implemented numerous initiatives in preparation for the full implementation of Basel III in South Africa, and has internally assessed and provided, to the best of its ability, for the anticipated budgetary impacts of the full implementation of Basel III in South Africa.

Capital adequacy requirements

The Issuer is subject to the capital adequacy requirements set out in the Banks Act, as read with the Regulations Relating to Banks, which provide for a minimum target ratio of capital to risk-adjusted assets, which could limit its operations (see "*South African implementation of Basel III*" above).

The Issuer must, in terms of the Banks Act, as read with the Regulations Relating to Banks and Directive 5 (see "*Directive 5*" below), maintain a minimum level of capital based on risk-adjusted assets and off-balance-sheet exposures.

Any failure by the Issuer to maintain its capital adequacy ratios may result in sanctions against the Issuer which may in turn impact on its ability to fulfil its obligations under the Subordinated Notes.

Directive 5 of 2013, dated 26 April 2013, was issued by the Relevant Authority, in terms of section 6(6) of the Banks Act, in April 2013 ("**Directive 5**"). A summary of certain of the provisions of Directive 5 is set out below:

Directive 5 informs banks of matters related to the prescribed minimum required capital ratios and the application of various components of the minimum required capital ratios such as the systemic risk capital requirement (Pillar 2A), the domestic systemically important bank (D-SIB) capital requirement, the countercyclical buffer range and the capital conservation buffer range. Directive 5 also details the phase-in requirements for the prescribed minimum required capital ratios.

Annexure A of Directive 5 stipulates the various capital tiers, together with various related elements specified in the Regulations Relating to Banks and in the Basel III Accord, including the systemic risk capital requirement (Pillar 2A), the bank-specific individual capital requirement (ICR, also known as Pillar 2B), and the phasing in of the related minimum requirements. The phase-in arrangements for the minimum requirements are set out in Annexure B of Directive 5.

Regulation 38(8)(e)(ii) of the Regulations Relating to Banks prescribes that the capital requirement for systemic risk (that is Pillar 2A) will be specified by the Relevant Authority. The Pillar 2A requirement may therefore also be revised from time to time.

The Pillar 2A capital requirement will be set at 1.5% of risk-weighted exposures (1% covered by common equity tier 1 capital and a further 0.5% by additional tier 1 capital) for all banks at a total capital level with effect from 1 January 2013, after which it will be increased to 2.0%. In order to ensure that factors related to systemic risk are not double counted, the Pillar 2A capital requirement will be adjusted during the phase-in period of the higher loss absorbency (HLA) requirement for D-SIBs, which will come into effect from 1 January 2016, resulting in an appropriate reduction in some components of the Pillar 2A requirement over time.

Banks are notified that the combined total capital-adequacy requirement in respect of the Pillar 2A and the HLA requirement for D-SIBs will not exceed 2% for common equity tier 1 capital, 2.5% for additional tier 1 capital and 3.5% in respect of the total capital adequacy ratio.

Banks should maintain an additional discretionary capital buffer above the specified minimum requirements, as envisaged in Regulation 38(8)(e)(vii) of the Regulations Relating to Banks, to ensure that the execution of internal business objectives or the occurrence of adverse external environmental factors do not prevent banks from operating above the relevant minima. The Relevant Authority will continue to monitor and assess the adequacy of this internal buffer against a bank's strategy, risk profile and levels of capital.

Banks are advised to take note of the fact that guidance will be provided on specific aspects of the new capital framework, should it become necessary, after the BCSB has finalised the consultative processes which are currently still under way.

Annexures A and B of Directive 5 provide, among other things, for the capital adequacy ratios for 2014:

- CET 1 Capital Requirement: Minimum CET1 Ratio (per Basel III) = 4% + Pillar 2A for CET1 = 1.5%. Minimum CET1 plus Pillar 2A = 5.5%.
- Tier 1 Capital Requirement: Minimum Tier 1 Ratio (per Basel III) = 5.5% + Pillar 2A for T1 = 1.5%. Minimum T1 plus Pillar 2A = 7.0%.
- Total Capital Requirement: Minimum Total Capital Ratio (per Basel III) = 8.0% + Pillar 2A for Total Capital = 2%. Minimum Total Capital plus Pillar 2A = 10%.

These minimum 2014 capital requirements exclude any bank-specific individual capital requirement (ICR, also known as Pillar 2B) for 2014.

The required minimum capital requirements will be phased in over a number of years and, as such, will change annually based on Directive 5 (or any other relevant guidance note to be issued in the future by the Relevant Authority).

National Payment System Act, 1998

The National Payment System Act, 1998 ("**NPS Act**") provides for the management, administration, operation, regulation and supervision of payment, clearing and settlement systems in South Africa, and was introduced to bring the South African financial settlement system in line with international practice and systematic risk management procedures.

The National Payment System ("**NPS**") is a set of instruments, procedures and rules that allow consumers, businesses and other organisations to transfer funds, usually held in an account at a financial institution to one another. The NPS encompasses the entire payment process from payer to beneficiary and includes settlement between banks, and includes all the tools, systems, mechanisms, institutions, agreements, procedures rules or laws applied or utilised to effect payment. Banks are key stakeholders and players in the NPS.

The National Payment System Department of the SARB ("**NPSD**") is, in terms of the South African Reserve Bank Act, 1989, the overseer and regulator of the NPS, with the objective of ensuring its safety and efficiency. The NPS Act also provides for the establishment and recognition of a payment system management body. The payment system management body that is currently recognised by the NPSD is the Payment Association of South Africa ("**PASA**").

PASA has facilitated the introduction of payment clearing house agreements. It has also introduced agreements pertaining to settlement, clearing and netting agreements, and rules to create certainty and reduce systemic and other risks in inter-bank settlement. These developments have brought South Africa in line with international inter-bank settlement practice.

Electronic banking facilities are extensive, with a nationwide network of automatic teller machines ("**ATMs**") and internet banking being available.

National Credit Act, 2005

The National Credit Act, 2005 ("**NCA**") regulates, among other things, the granting of consumer credit in the retail market and provides for advanced standards of consumer information. The NCA has made significant changes to the interest, costs and fees which retail banks and other credit providers may charge consumers in South Africa.

The form and content of a credit agreement to which the NCA is applicable are prescribed by the NCA. The NCA contains numerous, detailed and onerous provisions which are applicable to such credit agreement. The NCA prescribes maximum interest rates that may be charged on credit, but it does not restrict the term or the amount of credit that can be granted, except in respect of loans with a principal amount not exceeding R8,000 and with a term of six months or less (in which case the maximum interest rate is 5% per month). Unsecured loans with a principal amount exceeding R8,000 or with terms exceeding six months are priced according to the NCA formula, with a maximum chargeable rate benchmarked against the SARB repurchase (repo) rate. The NCA formula for these loans is the SARB repo rate (currently 5%) times 2.2 plus 20% per annum, which results in a current maximum interest rate on such loans of 31% per annum. The rate of interest must not be unilaterally increased by the credit provider unless the credit agreement provides for a variable interest rate.

The NCA further stipulates a closed list of costs and fees which may be recovered under a credit agreement in addition to the capital amount and interest, including an initiation fee, a monthly service fee, default administration costs and collection costs. The initiation fee for arranging the credit agreement operates on a sliding scale and is currently capped in total at R1,000, monthly service fees are currently capped at a

maximum of R50.00, default administration charges must be levied in accordance with the Magistrates' Court Act, 1944 and collection costs are also limited. Other applicable charges are strictly regulated and may only be levied if specifically listed in the NCA, and then only to the extent permitted. In addition, certain credit agreements which contain unlawful provisions in terms of the NCA may be rendered void *ab initio*.

Subject to certain limitations, the NCA applies, in principle, to every credit agreement between parties made within, or having an effect within, South Africa, except, among other exceptions:

- a credit agreement in terms of which the consumer is a juristic person whose asset value or annual turnover, together with the combined asset value or annual turnover of all related juristic persons, at the time the credit agreement is made, equals or exceeds the prescribed threshold value (currently ZAR1 000 000);
- a "large agreement" (in principle, an agreement where the principal debt is equal to or above the prescribed threshold (currently ZAR250 000.00)) where the consumer is a juristic person whose asset value or annual turnover is, at the time the agreement is made, below the prescribed threshold value (currently ZAR1 000 000).

The NCA provides that a person must apply to be registered as a credit provider the National Credit Regulator ("NCR") if:

- that person, alone or in conjunction with any associated person, is the credit provider under at least 100 credit agreements, other than incidental credit agreements; or
- the total principal debt owed to that credit provider under all outstanding credit agreements, other than incidental credit agreements, exceeds the prescribed threshold value (currently ZAR500 000).

Consumer Protection Act, 2008

The Consumer Protection Act, 2008 ("**Consumer Protection Act**") regulates the relationship between suppliers and consumers in order to protect the rights of the consumers. In principle (subject to certain exceptions), the Consumer Protection Act applies to all ordinary-course-of-business transactions in South Africa where a supplier provides goods and/or services to a consumer.

The Consumer Protection Act creates the possibility for class action suits against suppliers, which may result in increased litigation, increased costs in dealing with litigation and increased claims for damages against suppliers of goods and services. Consumers also have a right to demand the timely performance of services in a manner and quality that consumers are generally entitled to expect, failing which, the consumer will have a right of recourse against the supplier. Suppliers will be liable for any harm caused by goods provided by them to consumers.

The Consumer Protection Act does not apply to (among other things) any transaction:

- in terms of which the consumer is a juristic person whose asset value or annual turnover, at the time of the transaction, equals or exceeds the prescribed threshold value (currently ZAR2 000 000);
- that constitutes a credit agreement under the NCA (see "National Credit Act, 2005" above), but the services that are the subject of that credit agreement are not excluded from the ambit of the Consumer Protection Act.

The Consumer Protection Act imposes onerous obligations in respect of the form and content of consumer agreements. Any unjust, unreasonable or unfair contractual term (mainly those which are excessively one-sided, inequitable or unconscionable) in consumer agreements may be altered or declared void, from the date the relevant term purportedly took effect, by a court in South Africa. Certain provisions in consumer agreements may be void unless fair in the circumstances, including certain clauses that commonly appear

in "standard form" contracts. In addition, the Consumer Protection Act imposes numerous obligations on suppliers and service providers. For example, a supplier and/or service provider may be required to draw the relevant consumer's attention to any changes in the relevant consumer agreement relating to disclaimers, indemnity or the shifting of risk.

The Issuer is subject to the applicable provisions of the Consumer Protection Act. Suppliers, including the Issuer, who enter into consumer agreements with consumers in the ordinary course of business, are required to ensure that the terms and conditions of their consumer agreements comply with the requirements of the Consumer Protection Act. The Issuer is required to draw the customer's attention to any changes in its agreements relating to disclaimers, indemnity or the shifting of risk.

Competition Act, 1998

Competition in South Africa is regulated by the Competition Act, 1998. The Competition Commission of South Africa ("**Competition Commission**") was established by, and is regulated under, the Competition Act, 1998.

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

- ATM fees, customer allocation and other related issues;
- payment cards and interchange fees;
- the National Payment System (see "National Payment System Act, 1998" above); and
- pricing behaviour and market power.

In December 2008, the Enquiry panel published its full report. At the same time, the formation of an inter-governmental steering committee was announced. The steering committee is led by the National Treasury and will determine the official regulatory response to the Enquiry recommendations. The three main areas of focus in those deliberations are:

- *Penalty fees*

The Enquiry has recommended that unpaid debit order penalty fees be capped at R5 per transaction.

- *Direct charge model on ATMs*

At present, the account holding bank charges consumers for all cash withdrawals, even when they are at another bank's ATM (an "off-us" transaction). Consumers are charged a "Saswitch" premium on top of the normal cash withdrawal fee for "off-us" cash withdrawals. The Enquiry recommends that the Saswitch fee be replaced with a "direct charge" (or surcharge), payable by the consumer directly to the bank whose ATM is used. The inter-bank payment payable by the consumer's bank to the other bank for the use of its ATM infrastructure would also no longer be charged. The consumer's bank would retain the ability to charge a fee to the consumer for processing "off-us" cash withdrawals. The ATM bank would be forced to charge the same cash withdrawal fee to all consumers drawing cash at a given ATM, no matter where those consumers bank.

- *Interchange fees*

The Enquiry has recommended the formation of an independent panel, under the auspices of the SARB, to set interchange rates.

- *Debit order management*

The Enquiry has recommended that banks improve their systems to improve the rights of customers with regard to the contracting and stopping of debit orders. The current system of accepting and stopping debit orders is deficient and allows for unscrupulous players to impose unauthorised debit orders on customers (or even defraud them). Systems should be put in place by the banks, which will enable customers to cancel any direct debit instruction at any time by phone, internet, or over the counter at a branch.

- *Bank-customer conduct*

The Enquiry has recommended that the Banking Association of South Africa develop minimum standards for the disclosure of a product and price information by banks to be included in the Banking Association of South Africa's Code of Banking Practice ("**Code**"). The Code should include matters related to, amongst other things, standardised terminology (plain language); communication and provision of information to clients, a requirement for minimum information to be included in bank statements, a summary and breakdown of charges and interest on every account and regular rights reminders to customers. Other recommendations regarding customer conduct included the development of a switching code and a centralised fee calculator, creation of a FICA hub (see "*Anti-money laundering legislation*" below), extension of product bundling to low-middle income customers and the promotion of comparative advertising.

- *Access to the National Payment System*

The Enquiry Panel's ("**Panel**") recommendations aim to improve competition and efficiency in retail payments by improving the quality of the access to South Africa's National Payment System (see "*National Payment System Act, 1998*" above) currently afforded to non-bank companies and smaller banks. The Panel recommended that a model such as the LINK ATM network in the UK represents an improved model for entry.

- *Restrictions on the issuing and acquiring of branded payment cards*

Both Visa and MasterCard have strict restrictions regarding the eligibility and participation of institutions as issuers and acquirers in their card schemes. The Enquiry has recommended that card schemes need to abandon restrictions which limit acquiring to issuers.

- *Payment system governance*

The Enquiry has recommended that the National Payment System Act, 1988 ("**NPS Act**") (see "*National Payment System Act, 1998*" above) be revised. The revision of the NPS Act would allow for different types of participants and membership of payment clearing houses. The Enquiry has recommended that a Payment System Ombud be established. The ombud would play the role of ombud to payment system participants or prospective participants.

Anti-money laundering legislation

Money laundering is regulated by the Prevention of Organised Crime Act, 1998 ("**POCA**") and the Financial Intelligence Centre Act, 2001 ("**FICA**"). FICA complements POCA and provides an administrative framework to combat money laundering. Both FICA and POCA are in keeping with worldwide trends aimed at curbing the proceeds of crime, money laundering and the funding of terrorism. South African banks have made good progress in the implementation of anti-money laundering measures and combating the finance of terrorism.

FICA

FICA imposes obligations on accountable institutions, supervisory bodies, reporting institutions and persons who carry on business to combat money laundering.

An accountable institution includes, among others, a person who carries on the "business of a bank" as defined in the Banks Act (see "*Banks Act, 1990: General*" above).

Under FICA, accountable institutions have a duty to establish and verify the identity of their clients and people they transact with, keep records of the identities of their clients, the nature of the transactions, the parties to the transaction and the amounts involved in the transaction.

An accountable institution may not establish a business relationship or conclude a single transaction with a client unless the accountable institution has taken the prescribed steps to establish and verify the identity of the client.

An accountable institution is required to report transactions with clients to the Financial Intelligence Centre where the transaction involves an amount of money above the prescribed amount (currently ZAR24 999,99).

An accountable institution and a reporting institution must, within the prescribed period, report to the Financial Intelligence Centre the prescribed particulars concerning a transaction concluded with a client if in terms of the transaction an amount of cash in excess of the prescribed amount (currently ZAR24 999,99):

- is paid by the accountable institution or reporting institution to the client, or to a person acting on behalf of the client, or to a person on whose behalf the client is acting; or
- is received by the accountable institution or reporting institution from the client, or from a person acting on behalf of the client, or from a person on whose behalf the client is acting.

Government Gazette Number 24176 of 20 December 2002 published under Government Notice R1596 ("**FICA Gazette**") sets out certain exemptions from FICA. Part 7 of the FICA Gazette sets out the FICA exemptions which are applicable to an accountable institution which is, among others, a bank.

In terms of the FICA Gazette, the relevant accountable institution is exempt, subject to certain conditions, from compliance with provisions concerning the particulars to be obtained and verified in establishing and verifying persons identities.

POCA

POCA is an omnibus act dealing, among other things, with money laundering, racketeering and criminal and civil forfeiture, and sets out the substantive money laundering offences. POCA targets the proceeds of unlawful activities and the use thereof, and applies extra-territorially. POCA will apply to any person to the extent that such person is involved in unlawful activities or such person uses the proceeds of unlawful activities.

It is an offence under POCA for a person to assist another person to benefit from the proceeds of unlawful activity; or for a person to acquire, use or possess the proceeds of unlawful activities where the person knows or ought reasonably to have known that the property is or forms part of the proceeds of unlawful activities.

POCA places the onus on a contracting party to ensure that the transaction or agreement it enters into does not involve the proceeds of unlawful activities. A contracting party who has properly implemented FICA in transacting or entering into the relevant agreement and who has complied with its reporting obligations under FICA can raise such compliance as a defense against any alleged breach under POCA.

Financial Markets Act, 2012

The Financial Markets Act, 2012 ("**Financial Markets Act**") has replaced the Securities Services Act, 2004 in its entirety.

The Financial Markets Act provides for, among other things, the regulation of financial markets, the licensing and regulation of exchanges, central securities depositories, clearing houses and trade repositories, the regulation and control of securities trading, clearing and settlement, and the custody and administration of securities.

The Financial Markets Act regulates the JSE Limited ("**JSE**") and Strate Limited (South Africa's sole central securities depository).

The Controlling Company is listed on the JSE and must comply with the JSE Rules and the JSE Equity Listings Requirements, published under the Financial Markets Act. In addition, the Issuer has a ZAR40,000,000,000 Domestic Medium Term Note Programme, which has been approved by the JSE, and which provides for notes to be listed on the Interest Rate Market of the JSE. In this respect, the Issuer is required to comply with the JSE Debt Listings Requirements, published under the Financial Markets Act.

Financial Advisory and Intermediary Services Act, 2002

The Financial Advisory and Intermediary Services Act, 2002 ("**FAIS Act**") Act regulates the rendering of advice and intermediary services (that is, the provision of "financial services") to or on behalf of a client in respect of a "financial product".

The purpose of the FAIS Act is to protect customers to whom financial advisory and intermediary services are rendered.

A "*financial product*" is very broadly defined in the FAIS Act and includes, among other things, shares (other than shares in a share block company), debentures, securitised debt, money-market instruments and a "deposit" as defined in the Banks Act (see "*Banks Act, 1990: General*" above).

The FAIS Act provides that no person may act or offer to act as a financial services provider unless that person has been duly authorised as a financial services provider and licensed as such by the Registrar of Financial Services Providers.

Companies Act, 2008

The Companies Act, 2008 ("**Companies Act**") came into effect on 1 May 2011 and, subject as set out below, has replaced the Companies Act, 1973 ("**Old Companies Act**") in its entirety.

Banks (including the Issuer) and bank controlling companies (including the Controlling Company) qualify as "for profit public companies" under the Companies Act and are subject to the applicable provisions of the Companies Act.

However, in terms of section 5(4) of the Companies Act, if there is an inconsistency between any provision of the Companies Act "and a provision of any other national legislation" (including, among others, the Banks Act), the provisions of the Companies Act and that national legislation "apply concurrently, to the extent that it is possible to apply and comply with one of the inconsistent provisions without contravening the second". To the extent that "it is impossible to apply or comply with one of the inconsistent provisions without contravening the second", any applicable provisions of the relevant other national legislation (including, among others, the Banks Act) "prevail in the case of an inconsistency involving any of them" (subject to certain exceptions which are not relevant to this section).

The Companies Act modernises and makes for a more flexible company law regime in South Africa, although in so doing, it has created various areas of uncertainty.

The Companies Act extends shareholders' rights against companies and directors, and directors, prescribed officers and committee members will now face more extensive and stricter grounds for personal liability for their actions in the company than they did under the Old Companies Act. The Companies Act introduces class action suits against companies, directors and company officers by persons whose rights are affected by the company. Companies will thus face a greater risk of litigation and the costs thereof.

Schedule 5 to the Companies Act provides that, until a date to be determined by the Minister of Trade and Industry, the Old Companies Act will continue to apply with respect to the winding up and liquidation of companies under the Companies Act as if the Old Companies Act had not been repealed, subject to certain provisions set out in Schedule 5. Accordingly, the winding-up of companies continues to be regulated by both the Old Companies Act and the Insolvency Act, 1936. *The winding up of banks is further governed by the Banks Act (see "*Banks Act, 1990: General*" above).

Chapter 6 of the Companies Act provides for business rescue, a substantively non-judicial, pre-insolvency commercial process that, in the first instance, aims to rescue a financially distressed company and maximise the likelihood of the company's continued existence on a solvent basis. If business rescue is not possible, the aim of business rescue is to ensure an outcome which provides a better return for the creditors or shareholders of a financially distressed company than would result from the immediate liquidation of the company.

The business rescue process is formalised following the filing of a board resolution (or application to court to commence the proceedings) and each significant step in the process may allow intervention of "*affected persons*" on application to the court. This does, however, remain an engagement amongst the business rescue practitioner (who will be a qualified professional experienced in managing companies in difficulty) and "*affected persons*" (being shareholders, creditors and employees (individually or through their representative trade unions) of the company in devising a business rescue plan to rescue the company.

Once appointed, a business rescue practitioner may, in terms of Chapter 6 (subject to certain exceptions), during business rescue proceedings and "*despite any provision of an agreement to the contrary*", (A) entirely, partially or conditionally suspend, for the duration of the business rescue proceedings, any obligation of a company that (i) arises under an agreement to which the company was a party at the commencement of the business rescue proceedings and (ii) would otherwise become due during those business rescue proceedings or (B) apply urgently to a court to entirely, partially or conditionally cancel, on any terms that are "*just and reasonable in the circumstances*", any obligation of the company contemplated in sub-paragraph (A).

Chapter 6 also provides for a general moratorium on legal proceedings against the affected company. For example, during business rescue proceedings, a guarantee or surety by a company in favour of any other person may not be enforced by any person against the company except with leave of the court and in accordance with any terms the court considers just and equitable in the circumstances.

There was some debate as to whether the business rescue provisions in Chapter 6 of the Companies Act applied to banks. This debate has now been clarified in that section 22 of the Banks Amendment Act, 2013 (which came into force on 10 December 2013) (see "*Banks Act, 1990: Basel III*" - "*South African implementation of Basel III*" – "*Recent amendments to the Banks Act*" above) provides that "*the provisions of sections 128 to 155 of the Companies Act relating to business rescue and compromise with creditors shall not apply to a bank*". However, the Banks Act provides for the curatorship of banks (see "*Banks Act, 1990: General*" above).

EXCHANGE CONTROL

The information below is not intended as legal advice and it does not purport to describe all of the considerations that may be relevant to a prospective purchaser of Notes. Prospective purchasers of Notes who are non-South African residents or emigrants from the Common Monetary Area (defined below) are urged to seek further professional advice in regard to the purchase of Notes.

The South African Exchange Control Regulations, 1961 promulgated under the South African Currency and Exchanges Act, 1933 ("**Exchange Control Regulations**") provide for exchange controls which, among other things, restrict the export of capital from the Republics of South Africa and Namibia and the Kingdoms of Swaziland and Lesotho (collectively the "**Common Monetary Area**").

The purpose of exchange controls is to mitigate the decline of foreign capital reserves in South Africa. It is expected that South African exchange controls will continue to operate for the foreseeable future.

The South African government has, however, committed itself to gradually relaxing exchange controls and significant relaxation has occurred in recent years. It is the stated objective of the South African authorities to achieve equality of treatment between South African residents and non-South African residents in relation to inflows and outflows of capital. This gradual approach towards the abolition of exchange controls adopted by the South African government is designed to allow the economy to adjust more smoothly to the removal of controls that have been in place for a considerable period of time.

In terms of the Exchange Control Regulations, no person may transfer any assets (including cash and securities) out of South Africa or make any payment to a non-resident or give any security in favour of a non-resident without the prior approval of the Financial Surveillance Department of the South African Reserve Bank ("**Exchange Control Authorities**").

For the purposes of the Exchange Control Regulations, a South African resident is any person (including a legal entity) who or which has taken up permanent residence, is domiciled or is registered in South Africa. A non-resident is any person (including a legal entity) who or which is not a South African resident. If a non-resident maintains a branch in South Africa, then such branch will be deemed to be a separate legal entity, and will be considered to be South African resident for the purposes of the Exchange Control Regulations.

Applications for approval under the Exchange Control Regulations are effected through "*authorised dealers*" which are approved by the SARB as "*authorised dealers*" in foreign currency and which assist the Exchange Control Authorities with the monitoring and enforcement of the Exchange Control Regulations ("**Authorised Dealers**"). Authorised Dealers include the major South African banks and certain local branches of foreign banks.

An approval under the Exchange Control Regulations may take the form of (i) a "specific" approval granted pursuant to a specific individually motivated application to the Exchange Control Authorities for exchange control approval or (ii) a "general pre-approval" which may take the form of an Exchange Control Circular, Directive or Ruling and which, subject to the terms of the approval, applies generically to certain classes of transactions or all transactions of a particular kind. Exchange Control Circulars and Directives are issued only to Authorised Dealers and are not generally made public.

The approval contemplated in a "general pre-approval" can be granted by Authorised Dealers, subject to compliance by the applicant with the applicable conditions specified in the relevant Exchange Control Circular, Directive or Ruling.

The prior written approval of the Exchange Control Authorities is required for the issuance of each Series of Notes issued under the Programme. The Issuer will obtain the prior written approval of the Exchange Control Authorities for the issuance of each Series of the Notes under the Programme. The Final Terms

applicable to each Series of Notes issued under the Programme will be required to contain a statement that the requisite approval of the Exchange Control Authorities approval has been obtained for that issuance.

In addition, no South African residents and/or their offshore subsidiaries may, without the prior written approval of the Exchange Control Authorities, subscribe for or purchase any Note or beneficially hold or own any Note.

The Exchange Control Authorities may impose certain conditions on the issue of a Series of Notes under the Programme, for example, with regard to maturity, issue size and listing.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in that country or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

South African Taxation

Securities transfer tax

The issue, transfer and redemption of Notes will not attract securities transfer tax under the South African Securities Transfer Tax Act, 2007. Any future transfer duties and/or taxes that may be introduced in respect of (or be applicable to) the transfer and/or redemption of Notes will be for the account of Noteholders.

Income tax - treatment of premium and/or discount as well as interest on the Notes

The taxation of "interest" is regulated by section 24J of the South African Income Tax Act, 1962 ("**Income Tax Act**"). For tax purposes "interest" as defined in section 24J of the Income Tax Act ("**Interest**") has a wide meaning and includes, among other things, not just interest and related finance charges, but also any discount or premium payable or receivable in terms of or in respect of a financial arrangement.

The references to Interest mean "interest" as understood in South African tax law. These references do not take account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.

Original issue discount or premium

Any original issue at a discount to the principal amount of the Notes will be treated as Interest for tax purposes, and the discount income will be deemed to accrue to the Noteholder on a yield to maturity basis as if such Noteholder were to hold the Notes until maturity. Any original issue premium over the principal amount of the Notes will also be treated as Interest for tax purposes and will be taken into account in calculating the return to the Noteholder on a yield to maturity basis as if such Noteholder were to hold the Notes until maturity.

Interest on the Notes

A "*resident*" (as defined in section 1 of the Income Tax Act) ("**Resident**") will, subject to any available exemptions, be taxed on its worldwide income. Accordingly, a Resident Noteholder will be liable for income tax, subject to available exemptions, on any income received or accrued in respect of the Notes held by that Resident Noteholder in the relevant year of assessment of that Resident Noteholder.

A person who or which is not a Resident ("**Non-Resident**") is taxed in South Africa under the Income Tax Act only on income from a source within or deemed to be within South Africa. Interest which, during the relevant year of assessment of a Non-Resident Noteholder, is received or accrued in respect of Notes which are held by that Non-Resident Noteholder will (subject to "*Withholding tax*" below) be exempt from income tax under section 10(1)(h) of the Income Tax Act, unless that Non-Resident Noteholder:

- (a) is a natural person who was physically present in South Africa for a period exceeding 183 calendar days in aggregate during the relevant year of assessment;
- (b) at any time during the relevant year of assessment carried on business through a permanent establishment of that Non-Resident Noteholder in South Africa.

If a Non-Resident Noteholder does not qualify for the exemption under section 10(1)(h) of the Income Tax Act, an exemption from or reduction of tax liability under the Income Tax Act may be available under an applicable convention concluded between the Government of the Republic of South Africa and the relevant other contracting state for the avoidance of double taxation ("**DTA**"). In addition, certain entities may be exempt from income tax. Prospective Non-Resident Noteholders must consult their own professional advisers as to whether the interest income earned on Notes to be held by them will be exempt under section 10(1)(h) of the Income Tax Act or under an applicable DTA.

As regards liability for the withholding tax on Interest paid to Non-Resident Noteholders, see "*Withholding tax*" below.

Withholding tax

The Taxation Laws Amendment Act, 2013 amended the Income Tax Act on and with effect from 12 December 2013. In terms of Part IVB of the amended Income Tax Act, a withholding tax on Interest paid to Non-Residents (at a rate of 15% of the amount of the Interest) ("**Withholding Tax**") will come into effect on 1 January 2015.

Subject to any Withholding Tax relief provided for in the Income Tax Act (see below) or an applicable DTA, the Withholding Tax will be imposed in respect of all payments of Interest to Non-Residents (other than payments of Interest to a Non-Resident who is not entitled to the section 10(1)(h) exemption referred to under "*Income tax - treatment of premium and/or discount as well as interest on the Notes*" above and which Non-Resident is therefore liable for the payment of income tax on such Interest). Accordingly, subject as aforesaid, the Withholding Tax will be imposed in respect of all payments of Interest under the Notes to Non-Resident Noteholders.

However, payments of Interest under Notes held by Non-Resident Noteholders will be exempt from Withholding Tax if (among other exemptions) such Notes are listed on a "*recognised exchange*" or are issued by a South African bank. The Issuer is a South African bank. The London Stock Exchange plc is a "*recognised exchange*".

Payments of Interest under Notes held by Non-Resident Noteholders will accordingly be exempt from Withholding Tax.

Compulsory Conversion or Write-Off of Subordinated Notes following a Trigger Event

Prospective subscribers for or purchasers of any Subordinated Notes must consult their professional advisers in regard to the below.

The tax consequences to the Noteholder of the compulsory Conversion of Subordinated Notes into common equity or the compulsory Write-Off of Subordinated Notes, upon the occurrence of the Trigger Event, are extremely complicated, and a ruling in this regard may need to be obtained from the South African Revenue Service. A summary of some of the possible tax consequences in regard to the compulsory Write-Off of Subordinated Notes is set out below.

To the extent that Subordinated Notes are Written Off (on the basis that the Issuer is no longer obliged to pay the relevant amount to the Noteholder) this will be a realisation which may have tax consequences: if a debt is waived or reduced, as envisaged in the Income Tax Act, this may result in a loss for the Noteholder of Subordinated Notes. To the extent that the waiver or reduction of the relevant debt is merely an accounting entry as opposed to a waiver or reduction in law, this will not constitute a disposal of Subordinated Notes. Should there be an actual waiver or reduction in law of the relevant amount under the Subordinated Notes, the Noteholder of Subordinated Notes may have to account for the tax consequences, depending on, among other things, whether the Subordinated Notes have been held on capital or revenue account.

South African legislation dealing with the South Africa tax implications of the cancellation or waiver of a debt has recently been amended. Unless the waiver / cancellation of the debt constitutes a donation by a Noteholder of Subordinated Notes (which is unlikely to be the case), these legislative amendments may trigger income tax and / or capital gains tax implications for the Issuer. The Noteholder of a Subordinated Note may be entitled to deduct the loss resulting from the Write-Off of the Subordinated Note. Whether or not a Noteholder of a Subordinated Note is entitled to claim a loss depends on whether the Subordinated Notes have been held on capital or revenue account as well as the particular circumstances of the Noteholder concerned. For instance, generally only moneylenders will be entitled to claim a revenue loss pursuant to the Write-Off of a Subordinated Note, which has been treated as trading stock by the Noteholder concerned. In certain circumstances, the Income Tax Act does limit a Noteholders' ability to claim a capital loss pursuant to the Write-Off of a Subordinated Note.

Disposal of the Notes

If a Noteholder sells or otherwise disposes of a Note, Taxes (whether income tax or capital gains tax) may be levied on such sale or disposal.

Taxes (whether income tax or capital gains tax) may be levied on the disposal or deemed disposal of any Notes held by a Resident Noteholder. In general, income tax will be leviable to the extent that a Resident Noteholder is a trader or has acquired the Notes for speculative purposes. In general, capital gains tax will be leviable to the extent that the Notes have been acquired by a Resident Noteholder for investment purposes and the disposal is not regarded as part of a profit-making transaction.

Any discount or premium on acquisition of the Notes which has already been treated as Interest for income tax purposes under section 24J of the Income Tax Act (see "*Original issue discount or premium*" above) will not be taken into account when determining any capital gain or loss.

In general, Taxes (whether income tax or capital gains tax) will not be levied on the disposal or deemed disposal of Notes held by a Non-Resident Noteholder unless the profits made on the disposal or deemed disposal of such Notes are from a South African source and attributable to a permanent establishment of that Non-Resident Noteholder in South Africa during the relevant year of assessment of that Non-Resident Noteholder. An applicable DTA may provide such Non-Resident Noteholder with relief from such Taxes.

Value-added tax

No value-added tax ("**VAT**") is payable on the issue or transfer of the Notes. The Notes constitute "*debt securities*" as defined in the South African Value-Added Tax Act, 1991 ("**Value-Added Tax Act**"). The issue, allotment or transfer of ownership of a debt security constitutes a "*financial service*", which is exempt from VAT in terms of section 12(a) of the Value-Added Tax Act. However, commissions or other charges that are payable on the facilitation of these services are subject to VAT at the standard rate (currently being 14%). If the recipient of the commissions or charges is a Non-Resident, the commissions or charges may be subject to VAT at a zero rate, depending on the circumstances and the identity of the relevant service provider.

United Kingdom Taxation

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. It is based on current law and the practice of Her Majesty's Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the relevant Final Terms may affect the tax treatment of that and other series of Notes. The following is a general guide for information purposes and should be treated with

appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

UK Withholding Tax on UK Source Interest

UK Notes listed on a recognised stock exchange

The Notes issued by the Issuer through its London Branch which carry a right to interest ("**UK Notes**") will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the UK Notes are and continue to be quoted Eurobonds, payments of interest on the UK Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The London Stock Exchange is a recognised stock exchange, and accordingly the Notes will constitute quoted Eurobonds provided they are and continue to be included in the United Kingdom official list and admitted to trading on the Regulated Market of that Exchange.

All UK Notes

In addition to the exemption set out above, interest on the UK Notes may be paid without withholding or deduction for or on account of United Kingdom income tax so long as Nedbank, London Branch is a "bank" for the purposes of section 878 of the Income Tax Act 2007 and so long as such payments are made by the Issuer in the ordinary course of its business. In accordance with the published practice of HMRC, such payments will be accepted as being made by the Issuer in the ordinary course of its business unless either:

- (i) the borrowing in question conforms to any of the definitions of tier 1, 2 or 3 capital adopted by the Prudential Regulation Authority and the Financial Conduct Authority whether or not it actually counts towards tier 1, 2 or 3 capital for regulatory purposes; or
- (ii) the characteristics of the transaction giving rise to the interest are primarily attributable to an intention to avoid United Kingdom tax.

Interest on the UK Notes may also be paid without withholding or deduction for or on account of United Kingdom income tax so long as the Issuer is authorised for the purposes of the Financial Services and Markets Act 2000 and its business consists wholly or mainly of dealing in financial instruments (as defined by section 984 of the Income Tax Act 2007) as principal and so long as such payments are made by Nedbank, London Branch in the ordinary course of that business.

In all cases falling outside the exemptions described above, interest on the UK Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20%) subject to such relief as

may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply. However, this withholding will not apply if the relevant interest is paid on Notes with a maturity date of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of a year or more.

Payments under the Deed of Covenant

Any payments made by the Issuer under the Deed of Covenant may not qualify for the exemptions from UK withholding tax described above.

Other rules relating to United Kingdom Withholding Tax

Notes may be issued at an issue price of less than 100 per cent of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements as outlined below.

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax as outlined above and reporting requirements as outlined below.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" in this United Kingdom Taxation section mean "interest" as understood in United Kingdom tax law. The statements herein do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Noteholders should seek their own professional advice as regards the withholding tax treatment of any payment on the Notes which does not constitute "interest" or "principal" as those terms are understood in United Kingdom tax law. Where a payment on a Note does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United Kingdom source, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment for United Kingdom tax purposes (which will be determined by, amongst other things, the terms and conditions specified by the Final Terms of the Note). In such a case, the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an issuer and does not consider the tax consequences of any such substitution.

Provision of Information

HMRC have powers to obtain information, including in relation to interest or payments treated as interest and payments derived from securities. This may include details of the beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons to whom payments derived from the Notes are or may be paid and information in connection with transactions relating to the Notes. Information obtained by HMRC may be provided to tax authorities in other countries.

EU Savings Directive

Under the EU Savings Directive, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity

established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

The European Council formally adopted a Council Directive amending the EU Savings Directive on 24 March 2014 (the "**Amending Directive**"). The Amending Directive broadens the scope of the requirements described above. Member States have until 1 January 2016 to adopt the national legislation necessary to comply with the Amending Directive. The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

Investors who are in any doubt as to their position should consult their professional advisers.

U.S. Withholding Tax Under FATCA

In order to receive payments free of U.S. withholding tax under Sections 1471 through 1474 of the U.S. Internal Revenue Code (commonly referred to as "**FATCA**"), the Issuer and financial institutions through which payments on the Notes are made may be required to withhold at a rate of up to 30% on all, or a portion of, payments in respect of the Notes made after 31 December 2016. This withholding does not apply to payments on Notes that are issued prior to the date that is six months after the date on which the final regulations that define "foreign passthru payments" are published, unless the Notes are characterised as equity for U.S. federal income tax purposes

The Issuers may enter into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide certain information about investors. Under such an agreement, withholding may be triggered if: (a) an investor does not provide information sufficient for the relevant party to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of us, (b) an investor does not consent, where necessary, to have its information disclosed to the IRS or (c) any investor or person through which payment on the Notes is made is not able to receive payments free of withholding under FATCA.

Whilst the Notes are in global form and held within Euroclear or Clearstream (together, the "**ICSDs**"), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuers, any paying agent and the common depositary, given that each of the entities in the payment chain beginning with the Issuers and ending with the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into individual form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, individual Notes will only be printed in remote circumstances.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of Nedbank Limited (acting through its Nedbank Capital division) or any other dealer appointed from time to time in relation to the Programme generally or a particular tranche of Notes (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuers to, and purchased by, Dealers are set out in an amended and restated Dealer Agreement dated 15 May 2014 (the "**Dealer Agreement**") and made between the Issuer and the Dealers. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act.

Each Dealer has represented, warranted and agreed that, and each further dealer appointed under the Programme will be required to agree that, it will not offer, sell or deliver the Notes within the United States except in accordance with Rule 903 or Regulation S or Rule 144A under the Securities Act.

In addition, until 40 days after the commencement of an offering of Notes, an offer or sale of Notes within the United States by any dealer whether or not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Public Offer Selling Restriction Under The Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by the Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) **Qualified Investors**

At any time to any legal entity which is a qualified investor as defined in the Prospective Directive;

(b) **Fewer than 100 / 150 offerees**

At any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) **Other exempt offers**

At any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision only, the expressions:

- (i) **"offer of Notes to the public"** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive;
- (ii) **"Prospectus Directive"** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State; and
- (iii) **"2010 PD Amending Directive"** means Directive 2010/73 EU.

Selling Restrictions Addressing Additional United Kingdom Securities Laws:

Each Dealer has represented, warranted and agreed that:

(a) No deposit-taking

In relation to any Notes having a maturity of less than one year:

- (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and
- (ii) it has not offered or sold and will not offer or sell any Notes other than to persons:
 - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or
 - (B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) Financial promotion

It has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) General compliance

It has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Selling Restrictions Addressing Additional Securities Laws:

South Africa

In relation to South Africa, each Dealer has (or will have) represented, warranted and agreed that it will not solicit any offers for subscription for or sale of the Notes, and will itself not sell the Notes, in South Africa, in contravention of the South African Banks Act, 1990, the South African Exchange Control Regulations,

1961 promulgated pursuant to the South African Currency and Exchanges Act, 1933, the South African Companies Act, 2008 ("**Companies Act 2008**") and/or any other applicable laws and regulations of South Africa in force from time to time and it will not make an "offer to the public" (as such expression is defined in the Companies Act, 2008 (the "**Companies Act, 2008**") of Notes (whether for subscription, purchase or sale) in South Africa. Notes will not be offered for subscription or sale to any single addressee for an amount of less than ZAR1,000,000 (or such other amount as is prescribed from time to time in terms of section 96(2)(a) of the Companies Act, 2008). Accordingly, this Prospectus does not, nor is it intended to, constitute a "prospectus" (as contemplated in the Companies Act, 2008).

General

These selling restrictions may be modified by the agreement of the Issuer and the Dealers following a change in a relevant law, regulation or directive. With regard to each Tranche of Notes, the relevant Dealer will be required to comply with such other restrictions as the relevant Issuer and the relevant Dealer shall agree and (in the case of Exempt Notes) as shall be set out in the applicable Pricing Supplement.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Prospectus or any other offering material or any Final Terms, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed that it will, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus, any other offering material or any Final Terms, in all cases at its own expense, and neither the Issuer nor any other Dealer shall have responsibility therefor.

TRANSFER RESTRICTIONS

Rule 144A Notes

Each purchaser of Notes issued pursuant to Rule 144A, by accepting delivery of this Prospectus, will be deemed to have represented, warranted and agreed that:

- (1) It is (a) a qualified institutional buyer within the meaning of Rule 144A, (b) acquiring Notes for its own account or for the account of a qualified institutional buyer and (c) aware, and each beneficial owner of Notes has been advised, that the sale of the Notes to it is being made in reliance on Rule 144A.
- (2) It understands that such Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a qualified institutional buyer purchasing for its own account or for the account of a qualified institutional buyer, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.

- (3) It understands that such Notes will bear a legend to the following effect:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A) IN ACCORDANCE WITH RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION.

- (4) The Issuer, the Dealers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. If it is acquiring any Notes for the account of one or more qualified institutional buyers, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.
- (5) It understands that the Notes offered in reliance on Rule 144A will be represented by one or more Rule 144A Global Note Certificates. Before any interest in a Rule 144A Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note Certificate, it will be required to provide a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws.
- (6) Distribution of this Prospectus, or disclosure of any of its contents to any person other than such purchaser and those persons, if any, retained to advise such purchaser with respect thereto is

unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Notes outside the United States pursuant to Regulation S, by accepting delivery of this Prospectus, will be deemed to have represented, warranted and agreed that:

- (1) It (a) is aware that the sale of the Notes to it is being made pursuant to and in accordance with Rule 903 or 904 of Regulation S, (b) is, or at the time such Notes are purchased will be, the beneficial owner of those Notes and (c) is purchasing such Notes in an offshore transaction meeting the requirements of Regulation S.
- (2) It understands that such Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State of the United States.
- (3) It is not an affiliate of the Issuer or a person acting on behalf of such affiliate.

FORM OF FINAL TERMS OF THE NOTES

The Final Terms in respect of each Tranche of Notes will be substantially in the following form, duly completed to reflect the particular terms of the relevant Notes and their issue.

Final Terms dated [●]

NEDBANK LIMITED

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the "**Notes**")
under the U.S.\$2,000,000,000
Euro Medium Term Note Programme

PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of the Notes set forth in the Prospectus dated 15 May 2014 [and the supplement to the Prospectus dated [●]] which [together] constitute[s] a base prospectus (the "**Prospectus**") for the purposes of the Prospectus Directive. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Prospectus [as so supplemented]. The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the relevant Member State) and includes any relevant implementing measures in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU).

Full information on the Issuer and the Notes described herein is only available on the basis of a combination of these Final Terms and the Prospectus. The Prospectus is available for viewing on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html> and copies may be obtained from the registered office of Nedbank Limited at 135 Rivonia Road, Sandown, Sandton 2196, South Africa.

| | | |
|----|---|--|
| 1 | Issuer: | Nedbank Limited |
| 2 | [(i) Series Number: | [●] |
| | [(ii) Tranche Number: | [●]] |
| 3 | Specified Currency: | [●] |
| 4 | Aggregate Principal Amount: | [●] |
| | [(i) Series: | [●] |
| | [(ii) Tranche: | [●]] |
| 5 | Issue Price: | [●] per cent of the Aggregate Principal Amount [plus accrued interest from [●]] / [plus accrued interest of [●] in respect of the [notes/bonds] underlying the Notes, making a total Issue Price of [●] per [●] in Nominal Amount of the Notes.] |
| 6 | (i) Specified Denominations: | [●] |
| | (ii) Calculation Amount: | [●] |
| 7 | [(i)] Issue Date: | [●] |
| | [(ii) Interest Commencement Date: | [●] |
| 8 | Maturity Date: | [[●]/the Interest Payment Date falling in or nearest to [●]] |
| 9 | Interest Basis: | [[[●] per cent Fixed Rate] [[EURIBOR/LIBOR] +/-] [●] per cent Floating Rate] [Zero Coupon] (further particulars specified below) / Not Applicable] |
| 10 | Redemption/Payment Basis: | [[Redemption at par] [Instalment / Not Applicable] |
| 11 | Change of Interest or Redemption/Payment Basis: | [●]/Not Applicable |
| 12 | Put/Call Options: | [[Investor Put] [Issuer Call] / Not Applicable] [(further particulars specified below)] |
| 13 | [(i)] Status of the Notes: | [Unsubordinated Notes] [Tier 2 Notes] [Additional Tier 1 Notes] |
| | [(ii)] [Date [Board] approval for issuance of Notes obtained: | [●]] |
| | [(iii)] [Date of approval(s) of the Relevant Authority for issuance of Subordinated Notes obtained: | [●] |
| | [(iv)] [Date of approval(s) of Financial Surveillance Department of the South African Reserve Bank for issuance of Notes obtained] | [●] |

Provisions Relating to Interest (if Any) Payable

| | | |
|----|-----------------------------------|--|
| 14 | Fixed Rate Note Provisions | [Applicable/Not Applicable] |
| | (i) Rate[(s)] of Interest: | [●] per cent per annum [payable [annually/semi- annually/quarterly/monthly] in arrear]. |
| | (ii) Interest Payment Date(s): | [●] in each year [adjusted in accordance with [[●] Business Day Convention/not adjusted]. |

| | | |
|--|---|--|
| | (iii) Fixed Coupon Amount[(s)] | [●] per Calculation Amount. |
| | (iv) Broken Amount(s): | [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]. |
| | (v) Day Count Fraction: | [●] |
| | [(vi) Determination Dates: | [●] in each year. |
| 15 | Floating Rate Note Provisions | [Applicable/Not Applicable] |
| | (i) Specified Period: | [●] |
| | (ii) Specified Interest Payment Dates: | [●] |
| | (iii) First Interest Payment Date: | [●] |
| | (iv) Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| | (v) Additional Business Centre (s): | [Not Applicable/[●]] |
| | (vi) Manner in which the Rate(s) of Interest is/are to be determined: | [Screen Rate Determination/ISDA Determination] |
| | (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): | [●] |
| | (viii) Screen Rate Determination: | [Applicable/Not Applicable] |
| | - Reference Rate: | [LIBOR/EURIBOR] |
| | - Interest Determination Date(s): | [The second day on which the TARGET system is open prior to the start of each Interest Period/The first day of each Interest Period/[●]]. |
| | - Relevant Screen Page: | [Reuters LIBOR 01/EURIBOR 01] |
| | - Relevant Time: | [●] |
| | - Relevant Financial Centre: | [●] |
| | (ix) ISDA Determination: | [Applicable/Not Applicable] |
| | - Floating Rate Option: | [●] |
| | - Designated Maturity: | [●] |
| | - Reset Date: | [●] |
| | (x) Margin(s): | [+/-][●] per cent per annum |
| | (xi) Minimum Rate of Interest: | [●] per cent per annum |
| | (xii) Maximum Rate of Interest: | [●] per cent per annum |
| | (xiii) Day Count Fraction: | [●] |
| 16 | Zero Coupon Note Provisions | [Applicable/Not Applicable] |
| | (i) [Amortisation/Accrual] Yield: | [●] per cent per annum |
| | (ii) Reference Price: | [●] |
| Provisions Relating to Redemption | | |
| 17 | Call Option | [Applicable/Not Applicable] |
| | (i) Optional Redemption Date(s) (Call): | [●] |
| | (ii) Optional Redemption Amount(s) (Call) of each Note: | [●] per Calculation Amount |
| | (iii) If redeemable in part: | |
| | (a) Minimum Redemption Amount: | [●] per Calculation Amount |
| | (b) Maximum Redemption Amount: | [●] per Calculation Amount |

| | | |
|----|--|--|
| | (iv) Notice period: | [●] |
| | (v) Approval(s) of Relevant Authority: | [Applicable/Not Applicable] |
| 18 | Put Option | [Applicable/Not Applicable] |
| | (i) Optional Redemption Date(s) (Put): | [●] |
| | (ii) Optional Redemption Amount(s) (Put): | [●] per Calculation Amount |
| | (iii) Notice period: | [●] |
| | (iv) Approval(s) of Relevant Authority: | [Applicable/Not Applicable] |
| 19 | Final Redemption Amount of each Note | [●] per Calculation Amount |
| 20 | Early Redemption Amounts | |
| | (i) Early Redemption Amount (Regulatory) per Calculation Amount: | [Not Applicable/[●]] |
| | (ii) Early Redemption Amount (Tax) per Calculation Amount: | [●] |
| | (iii) Additional Relevant Jurisdiction | [United Kingdom/Not Applicable] |
| | (iv) Early Termination Amount: | [●] |
| | Credit Linked Provisions | [Applicable/Not Applicable] |
| 22 | Types of Notes: | [Single Name Credit Linked Notes/First-to-Default Credit Linked Notes/ Nth-to-Default Credit Linked Notes/Linear Basket Notes] |
| 23 | Settlement Basis: | [Cash Settlement/Physical Settlement/Auction Settlement/Cash or Physical or Auction Settlement] |
| 24 | Fallback Settlement Basis: | [Cash Settlement]/[Physical Settlement]/[Not Applicable] |
| 25 | Observation Start Date: | [●] |
| 26 | Scheduled Observation End Date: | [●] |
| 27 | Final Payment Date: | [●] |
| 28 | Cessation of interest: | [Interest ceases to accrue with effect from the Interest Payment Date immediately preceding the Event Determination Date (or, in the case of the first Interest Period, the Interest Commencement Date)] [Interest ceases to accrue with effect from the Alternative Interest Cessation Date specified in the relevant Credit Event Notice (which shall be no earlier than the Interest Payment Date immediately preceding the related Event Determination Date (or, in the case of the first Interest Period, the Interest Commencement Date)] |
| 29 | Alternative Interest Cessation Date: | [Applicable/Not applicable] |
| 30 | Reference Entity/ies: | [●] |
| 31 | Related Nominal Amount: | [●] |
| 32 | Reference Obligation(s): | [●] |
| 33 | Credit Events: | [Bankruptcy] |

[Failure to Pay]

- Grace Period Extension: [Not] Applicable
- [Grace Period: [●] days]
- Payment Requirement: [U.S.\$1,000,000] or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay

[Obligation Default]

[Obligation Acceleration]

[Repudiation/Moratorium]

- Notice of Publicly Available Information for Repudiation/Moratorium: [Not] Applicable

[Restructuring]

- Restructuring Maturity Limitation and Fully Transferable Obligation: [Not] Applicable
- Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: [Not] Applicable
- Default Requirement: [U.S.\$10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event]
- Multiple Holder Obligation: [Not] Applicable

| | | |
|----|-------------------------------|---|
| 34 | Trade Date: | [●] |
| 35 | Conditions to Settlement: | [Credit Event Notice] [Notice of Publicly Available Information] [Notice of Physical Settlement]] |
| 36 | Relevant Currency: | [●] |
| 37 | Cash Settlement Date: | [●] |
| 38 | Cash Settlement Amount: | [●] |
| 39 | Valuation Method: | The following Valuation Methods shall apply in respect of: [(a) only one Valuation Obligation: [Market/ Highest]; and (b) more than one Valuation Obligation: [Blended Market/ Blended Highest].] [(a) only one Valuation Obligation: [Average Market/ Highest/ Average Highest]; and (b) more than one Valuation Obligation: [Average Blended Market/ Average Blended Highest].] |
| 40 | Final Price: | [●] |
| 41 | Quotations: | [Include Accrued Interest/Exclude Accrued Interest] |
| 42 | Quotation Amount: | [[€][●]] |
| 43 | Valuation Date: | [Single Valuation Date [●] Business Days] [Multiple Valuation Dates [●] Business Days and each [●] Business Days thereafter Number of Valuation Dates: [●]] |
| 44 | Valuation Time: | [●] |
| 45 | Accrued Interest: | [Not Applicable]/[Include Accrued Interest]/[Exclude Accrued Interest] |
| 46 | Hedge Unwind Adjustment: | [Applicable/Not Applicable] |
| 47 | Physical Settlement Date: | [[●] Business Days] |
| 48 | Physical Settlement Period: | [Not Applicable] [Transaction Type Standard Terms apply] or [●] Business Days. |
| 49 | Partial Cash Settlement Date: | [●] |
| 50 | Market Value: | [●] |
| 51 | Obligation Category: | [Payment/Borrowed Money/Reference Obligations Only/Bond/Loan/Bond or Loan] |

| | | |
|----|---|---|
| 52 | Obligation Characteristics: | Specified Currency: Standard Specified Currencies [•] [Not Subordinated Specified Currency] [Not Sovereign Lender] [Not Domestic Currency] [Not Domestic Law] [Listed] [Not Domestic Issuance] [None] |
| 53 | Excluded Obligations: | [•] |
| 54 | All Guarantees: | [Applicable/Not applicable] |
| 55 | Deliverable Obligation Category: | [Payment/Borrowed Money/Reference Obligations Only/Bond/Loan/Bond or Loan] |
| 56 | Deliverable Obligation Characteristics: | Specified Currency: [Standard Specified Currencies/[•]] [Not Subordinated] [Not Sovereign Lender] [Not Domestic Currency] [Not Domestic Law] [Listed] [Not Contingent] [Not Domestic Issuance] [Assignable Loan] [Consent Required Loan] [Direct Loan Participation] [Transferable] [Maximum Maturity] [Accelerated or Matured] [Not Bearer] |
| 57 | Excluded Deliverable Obligations: | [•] |
| 58 | Alternative Cash Settlement: | [Not Applicable] [Standard Alternative Cash Settlement Specifications apply] |
| 59 | Business Day(s): | [•] |
| 60 | Fixed Number of Reference Entities: | [Applicable]/[Not applicable] |
| 61 | Event Determination Date Version: | [Event Determination Date Version A] / [Event Determination Date Version B] |

General Provisions Applicable to the Notes

62 Form of Notes:

Registered Notes:

[Rule 144A/Regulation S] Global Note Certificate exchangeable for individual Note Certificates in the limited circumstances specified in the Global Note Certificate.

63 Additional Financial Centre(s) or other special provisions relating to Payment Dates:

[Not Applicable/[•]]

64 Calculation Agent responsible for making calculations:

[•]

Signed on behalf of Nedbank Limited:

By:.....

Duly authorised

PART B - OTHER INFORMATION

1 Listing And Admission to Trading

- | | | |
|-------|--|---|
| (ii) | Admission to trading: | Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange with effect from [●]. |
| (iii) | Estimate of total expenses related to admission to trading | [●] |

2 Ratings

- | | |
|----------|---|
| Ratings: | [Applicable / Not Applicable] The Notes to be issued [have/have not been rated: [Fitch Southern Africa (Pty) Ltd: [●]] [Moody's Investors Service South Africa (Pty) Ltd: [●]] |
|----------|---|

3 Interests of Natural and Legal Persons Involved in the [Issue/Offer]

[Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer./ [●]]

4 Reasons for the Offer, Estimated Net Proceeds and Total Expenses

- | | | |
|-------|--------------------------|----------------------|
| (i) | Reasons for the offer | [Not Applicable/[●]] |
| (ii) | Estimated net proceeds: | [Not Applicable/[●]] |
| (iii) | Estimated total expenses | [Not Applicable/[●]] |

5 [Fixed Rate Notes Only - Yield

| | |
|----------------------|----------------------|
| Indication of yield: | [Not Applicable/[●]] |
|----------------------|----------------------|

6 [Floating Rate Notes - Historic interest rates]

[Details of historic [LIBOR/EURIBOR] rates can be obtained from [Reuters].]

7 Operational Information

- | | |
|--|------------------------------------|
| ISIN Code: | [●] |
| Common Code: | [●] |
| CUSIP: | [●] |
| Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, société anonyme and/or DTC and the relevant identification number(s): | [Not Applicable/[●]] |
| Delivery: | Delivery [against/free of] payment |
| Names and addresses of additional Paying Agent(s) (if any): | [Not Applicable/[●]] |

**FORM OF PRICING SUPPLEMENT FOR EXEMPT NOTES OF ANY
DENOMINATION**

**NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC
FOR THE ISSUE OF NOTES DESCRIBED IN THIS PRICING SUPPLEMENT. THE UK
LISTING AUTHORITY HAS NEITHER APPROVED NOR REVIEWED THIS PRICING
SUPPLEMENT.**

Pricing Supplement dated [●]

NEDBANK LIMITED

(Registration Number 1951/000009/06)

(incorporated with limited liability in South Africa)

[Acting through its [head offices in South Africa/London Branch]

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

under the U.S.\$2,000,000,000

Euro Medium Term Note Programme

Issue Price: [●] per cent

The Pricing Supplement in respect of each Tranche of Notes will be substantially in the following form, duly completed to reflect the particular terms of the relevant Notes and their issue.

Pricing Supplement dated [●]

NEDBANK LIMITED

(Registration Number 1951/000009/06)

[Acting through its [head offices in South Africa/London Branch]

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] (the "**Notes**")

under the U.S.\$2,000,000,000

Euro Medium Term Note Programme

PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions of the Notes set forth in the Prospectus dated 15 May 2014 [and the supplement to the Prospectus dated [●]] (together the "**Prospectus**"). This document constitutes the Pricing Supplement relating to the issue of Notes described herein and must be read in conjunction with the Prospectus. The Prospectus as completed by this Pricing Supplement does not constitute a prospectus for the purposes of Directive 2003/71/EC (and amendments thereto) and the Notes described herein may not be admitted to trading on a regulated market in the European Economic Area ("**EEA**"), and/or offered to the public in the EEA unless an exemption is available under Article 3.2 of the Prospectus Directive. No prospectus is required in accordance with Directive 2003/71/EC for the issue of notes described in this pricing supplement and the Notes described herein are not compliant with the Prospectus Directive. The UK Listing Authority has neither approved nor reviewed this pricing supplement.

Full information on the Issuer and the Notes described herein is only available on the basis of a combination of this Pricing Supplement and the Prospectus. The Prospectus is available for viewing at, and copies may be obtained from, the registered office of Nedbank Limited at 135 Rivonia Road, Sandown, Sandton 2196, South Africa.

| | | |
|---|---|--|
| 1 | Issuer: | Nedbank Limited acting through its [head offices in South Africa/London Branch] |
| 2 | [(i) Series Number: | [•] |
| | [(ii) Tranche Number: | [•]] |
| 3 | Specified Currency: | [•] |
| 4 | Aggregate Nominal Amount: | [•] |
| | [(i) Series: | [•] |
| | [(ii) Tranche: | [•]] |
| 5 | Issue Price: | [•] per cent of the Aggregate Nominal Amount [plus accrued interest from [•]] / [plus accrued interest of [•] in respect of the [notes/bonds] underlying the Notes, making a total Issue Price of [•] per [•] in Nominal Amount of the Notes.] |
| 6 | (i) Specified Denominations: | [•] |
| | (ii) Calculation Amount: | [•] |
| 7 | [(i) Issue Date: | [•] |
| | [(ii) Interest Commencement Date: | [•] |
| 8 | Maturity Date: | [[•]/the Interest Payment Date falling in or nearest to [•]] |
| 9 | Interest Basis: | [[•] per cent Fixed Rate] [[EURIBOR/LIBOR] +/-] [•] per cent Floating Rate] [Zero Coupon] (further particulars specified below) |
| 10 | Redemption/Payment Basis: | [Redemption at par] [Instalment] |
| 11 | Change of Interest or Redemption/Payment Basis: | [•]/Not Applicable |
| 12 | Put/Call Options: | [Investor Put] [Issuer Call] [(further particulars specified below)] |
| 13 | [(i) Status of the Notes: | [Unsubordinated Notes] [Tier 2 Notes] [Additional Tier 1 Notes] |
| | [(ii) [Date [Board] approval for issuance of Notes obtained: | [•]] |
| | [(iii) [Date of approval(s) of Registrar of Banks for issuance of Subordinated Notes obtained: | [•] |
| | [(iv) [Date of approval(s) of Financial Surveillance Department of the South African Reserve Bank for issuance of Notes obtained] | [•] |
| Provisions Relating to Interest (if Any) Payable | | |
| 14 | Fixed Rate Note Provisions | [Applicable/Not Applicable] |
| | (i) Rate[(s)] of Interest: | [•] per cent per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]. |
| | (ii) Interest Payment Date(s): | [•] in each year [adjusted in accordance with [[•] Business Day Convention/not adjusted]. |
| | (iii) Fixed Coupon Amount[(s)] | [•] per Calculation Amount. |

| | | |
|--|---|--|
| | (iv) Broken Amount(s): | [●] per Calculation Amount payable on the Interest Payment Date falling [in/on] [●]. |
| | (v) Day Count Fraction: | [●] |
| | [(vi) Determination Dates: | [●] in each year. |
| 15 | Floating Rate Note Provisions | [Applicable/Not Applicable] |
| | (i) Specified Period: | [●] |
| | (ii) Specified Interest Payment Dates: | [●] |
| | (iii) First Interest Payment Date: | [●] |
| | (iv) Business Day Convention: | [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/Not Applicable] |
| | (v) Additional Business Centre (s): | [Not Applicable/[●]] |
| | (vi) Manner in which the Rate(s) of Interest is/are to be determined: | [Screen Rate Determination/ISDA Determination] |
| | (vii) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Fiscal Agent): | [●] |
| | (viii) Screen Rate Determination: | [Applicable/Not Applicable] |
| | - Reference Rate: | [LIBOR/EURIBOR] |
| | - Interest Determination Date(s): | [The second day on which the TARGET system is open prior to the start of each Interest Period/The first day of each Interest Period/[●]]. |
| | - Relevant Screen Page: | [Reuters LIBOR 01/EURIBOR 01] |
| | - Relevant Time: | [●] |
| | - Relevant Financial Centre: | [●] |
| | (ix) ISDA Determination: | [Applicable/Not Applicable] |
| | - Floating Rate Option: | [●] |
| | - Designated Maturity: | [●] |
| | - Reset Date: | [●] |
| | (x) Margin(s): | [+/-][●] per cent per annum |
| | (xi) Minimum Rate of Interest: | [●] per cent per annum |
| | (xii) Maximum Rate of Interest: | [●] per cent per annum |
| | (xiii) Day Count Fraction: | [●] |
| 16 | Zero Coupon Note Provisions | [Applicable/Not Applicable] |
| | (i) [Amortisation/Accrual] Yield: | [●] per cent per annum |
| | (ii) Reference Price: | [●] |
| Provisions Relating to Redemption | | |
| 17 | Call Option | [Applicable/Not Applicable] |
| | (i) Optional Redemption Date(s) (Call): | [●] |
| | (ii) Optional Redemption Amount(s) (Call) of each Note: | [●] per Calculation Amount |
| | (iii) If redeemable in part: | |
| | (a) Minimum Redemption Amount: | [●] per Calculation Amount |
| | (b) Maximum Redemption Amount: | [●] per Calculation Amount |
| | (iv) Notice period: | [●] |

| | | |
|---------------------------------|--|---|
| | (v) Approval(s) of Registrar of Banks: | [Applicable/Not Applicable] |
| 18 | Put Option | [Applicable/Not Applicable] |
| | (i) Optional Redemption Date(s) (Put): | [•] |
| | (ii) Optional Redemption Amount(s) (Put): | [•] per Calculation Amount |
| | (iii) Notice period: | [•] |
| | (iv) Approval(s) of Registrar of Banks: | [Applicable/Not Applicable] |
| 19 | Final Redemption Amount of each Note | [•] per Calculation Amount |
| 20 | Early Redemption Amounts | |
| | (i) Early Redemption Amount (Regulatory) per Calculation Amount: | Make Whole Redemption Price |
| | (ii) Early Redemption Amount (Tax) per Calculation Amount: | [•] |
| | (iii) Make Whole Redemption Price: | [•] |
| | (iv) Early Termination Amount: | [•] |
| 21 | Consequences of Trigger Event | [Not Applicable/Write Off/Conversion] |
| Credit Linked Provisions | | |
| 22 | Types of Notes: | [Single Name Credit Linked Notes/First-to-Default Credit Linked Notes/ Nth-to-Default Credit Linked Notes/Linear Basket Notes] |
| 23 | Settlement Basis: | [Cash Settlement/Physical Settlement/Auction Settlement/Cash or Physical or Auction Settlement] |
| 24 | Fallback Settlement Basis: | [Cash Settlement]/[Physical Settlement]/[Not Applicable] |
| 25 | Observation Start Date: | [•] |
| 26 | Scheduled Observation End Date: | [•] |
| 27 | Final Payment Date: | [•] |
| 28 | Cessation of interest: | [Interest ceases to accrue with effect from the Interest Payment Date immediately preceding the Event Determination Date (or, in the case of the first Interest Period, the Interest Commencement Date)] [Interest ceases to accrue with effect from the Alternative Interest Cessation Date specified in the relevant Credit Event Notice (which shall be no earlier than the Interest Payment Date immediately preceding the related Event Determination Date (or, in the case of the first Interest Period, the Interest Commencement Date))] |
| 29 | Alternative Interest Cessation Date: | [Applicable/Not applicable] |
| 30 | Reference Entity/ies: | [•] |
| 31 | Related Nominal Amount: | [•] |
| 32 | Reference Obligation(s): | [•] |
| 33 | Credit Events: | [Bankruptcy] [Failure to Pay] • Grace Period Extension: [Not] Applicable • [Grace Period: [•] days] |

| | | |
|----|---------------------------|---|
| | | <ul style="list-style-type: none"> Payment Requirement: [U.S.\$1,000,000] or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Failure to Pay |
| | | [Obligation Default] |
| | | [Obligation Acceleration] |
| | | [Repudiation/Moratorium] |
| | | <ul style="list-style-type: none"> Notice of Publicly Available Information for Repudiation/Moratorium: [Not] Applicable |
| | | [Restructuring] |
| | | <ul style="list-style-type: none"> Restructuring Maturity Limitation and Fully Transferable Obligation: [Not] Applicable |
| | | <ul style="list-style-type: none"> Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation: [Not] Applicable |
| | | <ul style="list-style-type: none"> Default Requirement: [U.S.\$10,000,000 or its equivalent in the relevant Obligation Currency as of the occurrence of the relevant Credit Event] |
| | | <ul style="list-style-type: none"> Multiple Holder Obligation: [Not] Applicable |
| 34 | Trade Date: | [•] |
| 35 | Conditions to Settlement: | [Credit Event Notice] [Notice of Publicly Available Information] [Notice of Physical Settlement]] |
| 36 | Relevant Currency: | [•] |
| 37 | Cash Settlement Date: | [•] |
| 38 | Cash Settlement Amount: | [•] |
| 39 | Valuation Method: | The following Valuation Methods shall apply in respect of: [(a) only one Valuation Obligation: [Market/ Highest]; and (b) more than one Valuation Obligation: [Blended Market/ Blended Highest].] [(a) only one Valuation Obligation: [Average Market/ Highest/ Average Highest]; and (b) more than one Valuation Obligation: [Average Blended Market/ Average Blended Highest].] |
| 40 | Final Price: | [•] |
| 41 | Quotations: | [Include Accrued Interest/Exclude Accrued Interest] |
| 42 | Quotation Amount: | [[[\$][€]•]] |
| 43 | Valuation Date: | [Single Valuation Date [•] Business Days] [Multiple Valuation Dates [•] Business Days and each [•] Business Days] |

| | | |
|----|---|--|
| | | thereafter Number of Valuation Dates: [●]] |
| 44 | Valuation Time: | [●] |
| 45 | Accrued Interest: | [Not Applicable]/[Include Accrued Interest]/[Exclude Accrued Interest] |
| 46 | Hedge Unwind Adjustment: | [Applicable/Not Applicable] |
| 47 | Physical Settlement Date: | [[●] Business Days] |
| 48 | Physical Settlement Period: | [Not Applicable] [Transaction Type Standard Terms apply] or [●] Business Days. |
| 49 | Partial Cash Settlement Date: | [●] |
| 50 | Market Value: | [●] |
| 51 | Obligation Category: | [Payment/Borrowed Money/Reference Obligations Only/Bond/Loan/Bond or Loan] |
| 52 | Obligation Characteristics: | Specified Currency: Standard Specified Currencies [Other (specify)] [Not Subordinated Specified Currency] [Not Sovereign Lender] [Not Domestic Currency] [Not Domestic Law] [Listed] [Not Domestic Issuance] [None] |
| 53 | Excluded Obligations: | [●] |
| 54 | All Guarantees: | [Applicable/Not applicable] |
| 55 | Deliverable Obligation Category: | [Payment/Borrowed Money/Reference Obligations Only/Bond/Loan/Bond or Loan] |
| 56 | Deliverable Obligation Characteristics: | Specified Currency: [Standard Specified Currencies/[●]] [Not Subordinated] [Not Sovereign Lender] [Not Domestic Currency] [Not Domestic Law] [Listed] [Not Contingent] [Not Domestic Issuance] [Assignable Loan] [Consent Required Loan] [Direct Loan Participation] |

| | | |
|----|-------------------------------------|--|
| | | [Transferable] |
| | | [Maximum Maturity] |
| | | [Accelerated or Matured] |
| | | [Not Bearer] |
| 57 | Excluded Deliverable Obligations: | [•] |
| 58 | Alternative Cash Settlement: | [Not Applicable] [Standard Alternative Cash Settlement Specifications apply] |
| 59 | Business Day(s): | [•] |
| 60 | Fixed Number of Reference Entities: | [Applicable]/[Not applicable] |
| 61 | Event Determination Date Version: | [Event Determination Date Version A] / [Event Determination Date Version B] |

General Provisions Applicable to the Notes

| | | |
|----|--|--|
| 62 | Form of Notes: | Registered Notes: [Rule 144A/Regulation S] Global Note Certificate exchangeable for individual Note Certificates in the limited circumstances specified in the Global Note Certificate. |
| 63 | Additional Financial Centre(s) or other special provisions relating to Payment Dates: | [Not Applicable/[•]] |
| 64 | Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: | [Not Applicable/[•]] |
| 65 | Calculation Agent responsible for making calculations: | [•] (specify only if Calculation Agent is not The Bank of New York Mellon) |

Signed on behalf of Nedbank Limited:

By:.....
Duly authorised

PART B - OTHER INFORMATION

1 Listing And Admission to Trading

- | | | |
|------|-----------------------|---|
| (i) | Listing: | [London/[●]][None] |
| (ii) | Admission to trading: | [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Regulated Market of the London Stock Exchange with effect from [●].] [Not Applicable.] |

2 Ratings

| | |
|----------|--|
| Ratings: | <p>The Notes to be issued [have/have not been rated:</p> <p>[Fitch Southern Africa (Pty) Ltd: [●]]</p> <p>[Moody's Investors Service South Africa (Pty) Ltd: [●]]</p> <p>[[Other]: [●]]</p> <p>[and endorsed by [insert details]]</p> <p>Fitch Southern Africa (Pty) Ltd and Moody's Investors Service South Africa (Pty) Ltd are not established in the EEA or registered under Regulation (EU) No 1060/2009, as amended (the "CRA Regulation").</p> |
|----------|--|

3 Operational Information

| | |
|--|------------------------------------|
| ISIN Code: | [●] |
| Common Code: | [●] |
| CUSIP: | [●] |
| Any clearing system(s) other than Euroclear Bank S.A./N.V., Clearstream Banking, société anonyme and/or DTC and the relevant identification number(s): | [Not Applicable/[●]] |
| Delivery: | Delivery [against/free of] payment |
| Names and addresses of additional Paying Agent(s) (if any): | [●] |

GENERAL INFORMATION

1 Listing

It is expected that each Tranche of the Notes which is to be admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a Global Note Certificate in respect of each Tranche. The listing of the Programme in respect of the Notes is expected to be granted on or before 19 May 2014. Prior to official listing and admission to trading, however, dealings will be permitted by the London Stock Exchange in accordance with its rules. Transactions on the Market will normally be effected for delivery on the third working day after the day of the transaction. However, Exempt Notes may also be issued pursuant to the Programme.

2 Authorisations

The establishment of the Programme was authorised by written resolutions of the Board of Directors of the Issuer passed on 1 August 2008. The amendment and update of this Prospectus was authorised by written resolutions of the Board of Directors of the Issuers passed on 24 October 2013. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

3 Significant/Material Change

There has been no significant change in the financial or trading position of the Issuer and its subsidiaries since 31 December 2013 and no material adverse change in the prospects of the Issuer since 31 December 2013.

4 Auditors

The audited consolidated financial statements of the Issuer for the years ended 31 December 2013 and 31 December 2012 have been audited without qualification by KPMG Inc. whose address is KPMG Crescent, 85 Empire Road, Parktown 2193, Johannesburg, South Africa and Deloitte and Touche whose address is at Deloitte Place, The Woodlands, 20 Woodlands Drive, Woodmead 2199, South Africa.

5 Approvals

The Issuer requires the consent of the Relevant Authority in accordance with section 79(1)(b) of the Banks Act and Regulation 38 of the Regulations Relating to Banks, for permission to issue Subordinated Notes the proceeds of which are intended to rank as Additional Tier 1 Capital or Tier 2 Capital. No authorisation is required from the Relevant Authority to issue Unsubordinated Notes. The Issuer will also have to obtain the approval of the Financial Surveillance Department of the South African Reserve Bank for the issue of each Tranche of Notes under the Programme.

6 Documents on Display

Copies of the following documents may be inspected during normal business hours at the specified offices of the Fiscal Agent and from the registered office of the Issuer for 12 months from the date of this Prospectus:

- (a) the Certificate of Incorporation and Memorandum of Incorporation of the Issuer;
- (b) the audited consolidated financial statements of the Issuer for the years ended 31 December 2012 and 31 December 2011;

- (c) the amended and restated Agency Agreement dated 15 May 2014 entered into by the Issuer, The Bank of New York Mellon (Luxembourg) S.A., The Bank of New York Mellon and the paying agents named therein; and
- (d) Deed of Covenant dated 15 May 2014 entered into by the Issuer.

7 Clearing of the Notes

The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The appropriate common code, the International Securities Identification Number and, where appropriate, the Committee on the Uniform Security Identification Procedure number in relation to the Notes of each Tranche will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of DTC is 55 Water Street New York, New York 10041. The address of any alternative clearing system will be specified in the applicable Final Terms.

8 Use of Proceeds

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

9 Post Issuance Information

The Issuer does not intend to provide any post-issuance information in relation to any Note issues.

10 Yield

The yield on each Tranche of Notes sent out in the applicable Final Terms will be calculated as of the relevant issue date on an annual or a semi-annual basis using the relevant issue price. It is not an indication of future yield.

REGISTERED OFFICE OF NEDBANK LIMITED

PO Box 1144
Johannesburg 2000
South Africa

OFFICE OF NEDBANK LIMITED, LONDON BRANCH

Old Mutual Place
2 Lambeth Hill
London EC4V 4GG
United Kingdom

ARRANGER

Nedbank Capital, a division of Nedbank Limited

PO Box 1144
Johannesburg 2000
South Africa

FISCAL AGENT

The Bank of New York Mellon

One Canada Square
London E14 5AL
United Kingdom

REGISTRAR AND LUXEMBOURG PAYING AGENT

The Bank of New York Mellon (Luxembourg) S.A.

Vertigo Building – Polaris
2-4 rue Eugène Ruppert
L-2453
Luxembourg

LEGAL ADVISERS

To the Issuer as to English law:

Clifford Chance LLP

10 Upper Bank Street
Canary Wharf
London E14 5JJ
United Kingdom

To the Issuer as to South African law:

Cliffe Dekker

Hofmeyer Inc.

1 Protea Place
Sandton
Johannesburg, 2196
South Africa

To the Fiscal Agent as to English law:

Allen & Overy
One Bishop's Square
London E1 6AD
United Kingdom

AUDITORS TO THE ISSUER

KPMG Inc

KPMG Crescent
85 Empire Road, Parktown 2193
Johannesburg
South Africa

Deloitte & Touche

Deloitte Place
The Woodlands, 20 Woodlands Drive
Woodmead 2199
South Africa