



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"), as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). The FCA has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer that is the subject of this Prospectus nor as an endorsement of the quality of any Notes. Investors should make their own assessment as to the suitability of investing in such Notes.

This Prospectus has been approved by the FCA as a base prospectus issued in compliance with the Prospectus Regulation 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.

This Prospectus is valid for a period of twelve months from the date of approval. 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 Main 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 2014/65/EU of the European Parliament and of the Council on markets in financial instruments (as amended, "**MiFID II**").

The requirement to publish a prospectus under the Prospectus Regulation only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the "EEA") and/or the United Kingdom (the "UK") and/or offered to the public in the EEA and/or the UK other than in circumstances where an exemption is available under Article 1(4) of the Prospectus Regulation. 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 Regulation. Exempt Notes do not form part of this base prospectus for the purposes of the Prospectus Regulation and the United Kingdom Listing Authority (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, as amended (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 December 2020 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 Prudential 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 or Tier 2 Capital.

The Additional Tier 1 Notes are not intended to be sold or otherwise made available and should not be sold or otherwise made available to retail clients in the EEA or the UK, as defined in the rules set out in MiFID II as amended or replaced from time to time. Prospective investors are referred to the section headed "**Important Notices**" on page 1 of Prospectus for further information.

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 Standard & Poor Global Inc.

Standard & Poor's Global Inc. and Moody's Investors Service South Africa (Pty) Ltd are not established in the EEA or in the UK and are not certified under Regulation (EU) No. 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the Notes is not endorsed by a credit rating agency established in the EEA or in the UK and registered under the CRA Regulation.

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

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 Limited

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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, to the best of its knowledge, the information contained in this Prospectus and any applicable Final Terms is in accordance with the facts and this Prospectus makes 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 EEA and the UK (each, a "**Relevant State**") will be made pursuant to an exemption under the Prospectus Regulation, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant 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 Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, 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 (including Nedbank Limited (as "**Dealer**")).

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 Bank 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 Bank 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 or with any securities regulatory authority of any State or other jurisdiction of the United States, and the Notes in bearer form are subject to U.S. tax law requirements. 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 Bank, 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 Bank.

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 Additional Tier 1 Notes discussed in this Prospectus are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Additional Tier 1 Notes to retail investors.

In particular, in June 2015, the FCA published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 (the "**PI Instrument**"). In addition: (i) on 1 January 2018, the provisions of Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (the "**PRIIPs Regulation**") became directly applicable in all EEA member states (including the UK); and (ii) MiFID II was required to be implemented in EEA member states by 3 January 2018 (including the UK). Together the PI Instrument, PRIIPs Regulation and MiFID II are referred to as the "**Regulations**".

The Regulations set out various obligations in relation to: (i) the manufacture and distribution of financial instruments; and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write down or convertible securities, such as the Additional Tier 1 Notes.

Potential investors in the Additional Tier 1 Notes should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Additional Tier 1 Notes (or any beneficial interests therein) including the Regulations.

Certain of the Dealer(s) may be required to comply with some or all of the Regulations. By purchasing, or making or accepting an offer to purchase, any Additional Tier 1 Notes (or a beneficial interest in such

Additional Tier 1 Notes) from the Issuer and/or the Dealer(s), each prospective investor represents, warrants, agrees with and undertakes to the Issuer and each of the Dealer(s) that:

1. it is not a retail client (as defined in MiFID II);
2. whether or not it is subject to the Regulations, it will not:
 - (a) sell or offer the Additional Tier 1 Notes (or any beneficial interest therein) to retail clients (as defined in MiFID II); or
 - (b) communicate (including the distribution of this Prospectus) or approve an invitation or inducement to participate in, acquire or underwrite the Additional Tier 1 Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client (in each case within the meaning of MiFID II),

and in selling or offering the Additional Tier 1 Notes or making or approving communications relating to the Additional Tier 1 Notes prospective investors may not rely on the limited exemptions set out in the PI Instrument; and

3. it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Additional Tier 1 Notes (or any beneficial interests therein), including (without limitation) MiFID II and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Additional Tier 1 Notes (or any beneficial interests therein) by investors in any relevant jurisdiction.

Each prospective investor in the Additional Tier 1 Notes further acknowledges that:

1. the identified target market for the Additional Tier 1 Note (for the purposes of the product governance obligations in MiFID II) is eligible counterparties and professional clients; and
2. no key information document (KID) under PRIIPs has been prepared and therefore offering or selling the Additional Tier 1 Note or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the PRIIPs Regulations.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Additional Tier 1 Notes (or any beneficial interests therein) from the Bank and/or the Dealers the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

IMPORTANT – EEA AND UK RETAIL INVESTORS – If the Final Terms or Drawdown Prospectus, as the case may be, in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA and UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the UK. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 ("**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

PRODUCT GOVERNANCE UNDER MiFID II – A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

The Final Terms or Drawdown Prospectus, as the case may be in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering,

selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

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 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 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 or (1) 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 (2) 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 South African Reserve Bank ("**SARB**") and the SA Financial Sector Forum. The Bank 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 and/or the SA Financial Sector Forum, as the case may be, no facts have been omitted which would render the reproduced inaccurate or misleading.

In this Prospectus, unless otherwise specified, references to a "**Relevant State**" are references to a Member State of the EEA and the UK, 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 Bank 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 Bank. 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, Stabilisation may not necessarily occur. 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 cease 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.

Interest and/or other amounts payable under the Notes may be calculated by reference to certain reference rates. Any such reference rate may constitute a benchmark for the purposes of Regulation (EU) 2016/2101

(the "**Benchmarks Regulation**"). If any such reference rate does constitute such a benchmark, the applicable Final Terms will indicate whether or not the benchmark is provided by an administrator included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority ("**ESMA**") pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmarks Regulation. Transitional provisions in the Benchmarks Regulation may have the result that the administrator of a particular benchmark is not required to appear in the register of administrators and benchmarks at the date of the relevant Final Terms. The registration status of any administrator under the Benchmarks Regulation is a matter of public record and, save where required by applicable law, the Issuer does not intend to update the relevant Final Terms to reflect any change in the registration status of the administrator.

AVAILABLE INFORMATION

The Bank 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 Bank and the rights attaching to the Notes, the Bank will prepare a supplement to this Prospectus pursuant to Article 23 of the Prospectus Regulation.

DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with: (i) the unaudited condensed consolidated interim financial results for the six months ended 30 June 2020 (the "**Interim Results**"); (ii) the audited consolidated financial statements of the Bank for the financial years ended 31 December 2018 and 2019 (together with the Interim Results, the "**Nedbank Financial Statements**"); and (iii) the document titled "*Nedbank Group | Pillar 3 Risk and Capital Management Report for the six months ended 30 June 2020*" ("**Nedbank Pillar 3 Document**") (which can be accessed at: <https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Information%20Hub/Pillar%203%20Disclosures/Pillar%203/Pillar%203%20Risk%20and%20Capital%20Management%20Report%20as%20at%2030%20June%202020.pdf>) each of which has 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

Unaudited condensed consolidated interim financial results for the six months ended 30 June 2020

Information incorporated by reference into this Prospectus	Page number(s) of Bank's audited consolidated financial statements for the six months ended 30 June 2020
Condensed consolidated statement of financial position	Page 5
Condensed consolidated statement of comprehensive income	Page 4
Condensed consolidated statement of cashflows	Page 7

Audited consolidated annual financial statements of the Bank for the financial year ended 31 December 2019

Information incorporated by reference into this Prospectus	Page number(s) of Bank's unaudited condensed consolidated financial statements for the financial year ended 31 December 2019
Consolidated statement of financial position	Page 23
Consolidated statement of comprehensive income	Page 22
Consolidated statement of cashflows	Page 26
Notes to the consolidated financial statements	Pages 27 – 174
Independent Auditors' Report to the shareholder of Nedbank Limited	Pages 16 – 21

Audited consolidated annual financial statements of the Bank for the financial year ended 31 December 2018

Information incorporated by reference into this Prospectus	Page number(s) of Bank's audited consolidated financial statements for the year ended 31 December 2018
Consolidated statement of financial position	Page 23
Consolidated statement of comprehensive income	Page 22
Consolidated statement of cashflows	Page 26
Notes to the consolidated financial statements	Pages 27 – 158
Independent Auditors' Report to the shareholders of Nedbank Limited	Pages 17 – 21

Following the publication of this Prospectus a supplement may be prepared by the Bank 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 and, for the avoidance of doubt, unless specifically incorporated by reference into this Prospectus, information contained on the website of the Issuer does not form part of this Prospectus. Unless specifically incorporated by reference into this Prospectus, information contained on any website does not form part of this Prospectus.

Both NGL (as the "controlling company" of Nedbank) and Nedbank are governed by South African banking legislation, and many of Nedbank's operations are assessed and/or reported on and/or complied with on an NGL and/or Group basis. So, for example, Nedbank's corporate governance regime is determined by NGL and complied with at NGL level. It would not be possible to comply with the "revised Pillar 3 disclosure requirements" without referring to both NGL and Nedbank. Accordingly, the information contained in the Nedbank Pillar 3 Document refers to NGL (as the "controlling company" of Nedbank and the holding company of the Group) and Nedbank. Such information is necessary in order to understand Nedbank's approach (within the Group framework) to risk governance, risk appetite, risk management, capital management, credit risk, market risk, liquidity risk and operational risk.

Electronic copies of the Nedbank Financial Statements can be obtained without charge from the Bank's website at <https://nedbank.co.za/content/nedbank/desktop/gt/en/investor-relations/information-hub/financial-results.html>.

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

RISK FACTORS

The Issuer believes that the factors outlined below may affect its ability to fulfil its obligations under the Notes. 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 Bank's ability to fulfil its obligations under Notes issued under the Programme

Liquidity risk

The Issuer, in common with other banks in South Africa, is more reliant on wholesale deposits than either commercial or retail deposits due to the low domestic savings rate and a bias towards contractual savings in pension and provident funds, as well as money market funds, due to various tax and regulatory asymmetries which have resulted in wholesale deposits being proportionally larger than either commercial or retail deposits.

Nonetheless, the Issuer's combined commercial and retail deposit franchises are significant, collectively exceeding the total value of wholesale funding. In addition, the Issuer's level of access to domestic and international inter-bank and capital markets and its liquidity risk management policy allow and will continue to allow the Issuer to meet its short-term and long-term liquidity needs, noting that maturity mismatches can have a material adverse effect on the Issuer's financial condition and results of operations.

The Issuer has a high reliance on asset manager funding largely as a result of a low retail savings rate within South Africa. Approximately 55 per cent. of the Issuer's funding base emanates from the Issuer's strong retail and commercial franchise, 35 per cent. from asset managers, in line with the structural funding mix of the domestic banking industry, and 6 per cent. from domestic capital markets. 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 Issuer believes that its level of access to domestic and international inter-bank and capital markets and its liquidity risk management policy allow and will continue to allow the Issuer to meet its short-term and long-term liquidity needs, any maturity mismatches may have a material adverse effect on its financial condition and results of operations.

Furthermore, there can be no assurance that the Issuer will be successful in obtaining additional sources of funds on acceptable terms or at all.

Risk of increases in loan impairments

The performance of the Issuer is significantly influenced by the performance of the economy in South Africa, which in turn is influenced by global economic factors, such as oil and commodity prices, exchange rates and the levels of growth in South Africa's main trading partners. A deterioration in the global economic markets could result in a general reduction in business activity and a consequent loss of income for the Issuer. 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 Issuer's lending, trading and other portfolios 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 Issuer.

Concentration risk

The Issuer's business is predominantly South African focused meaning that it is exposed to geographic concentration risk from an economic, political and social perspective. Any adverse changes affecting the South African economy, including contagion risk linked to adverse economic conditions in South Africa's main trading partners, may have an adverse impact on the Issuer's credit, market, liquidity, interest rate and operational risk exposures and, consequently, on its financial condition and results of its operations.

Risk management

The Bank, in common with other banks in South Africa and elsewhere, is exposed to commercial and market risks in the ordinary course of its business, the most significant of which are credit risk, market risk, liquidity risk, interest rate risk and operational risk. Credit risk is the risk of loss due to non-performance of a counterparty in respect of any financial or performance obligation due to deterioration in the financial status of the counterparty. Market risk is the risk of loss on trading instruments and portfolios due to changes in market prices and rates. Liquidity risk is the inability to discharge funding or trading obligations which fall due at market related prices. Interest rate risk is 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.

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.

Market conditions, including funding

Global market conditions are subject to periods of volatility and change which can negatively impact market liquidity, increase credit spreads and reduce funding availability. The possible extent of market volatility in global equity and debt markets was observed during the global financial crisis of 2008, where this crisis created challenging market conditions and resulted in periods of reduced liquidity, extreme volatility and declining asset prices, as well as greater counterparty credit risk, widening of credit spreads and lack of price transparency in credit and other markets.

The market conditions in 2008 also led to the failure of a number of financial institutions and the intervention of government authorities and central banks around the world. If economic conditions were to worsen again in the future, caused by similar or different crises, the Issuer's financial performance, business or strategy may be adversely affected.

The Issuer relies on equity and debt markets for funding its businesses. Instability in these markets may affect the Issuer's ability to access funding, particularly the ability to issue long-term debt securities, to replace maturing liabilities in a timely manner and to access the funding necessary to grow its businesses. In addition, an increase in credit spreads may increase the Issuer's cost of funding. Furthermore, volatile and deteriorating markets may reduce activity and the flow of transactions, which may adversely impact the Issuer's financial performance. Other risks associated with funding that the Issuer may face are over reliance on a particular funding source or a simultaneous increase in funding costs across a broad range of sources.

Changes in investment markets, including changes in interest rates, exchange rates and returns from any equity, listed and unlisted investment assets, property and other investments, as well as adverse economic conditions, may affect the financial performance of the Issuer, for instance, through its ability to earn base and performance fees and other advisory and client facilitation fees. Further, the Issuer's trading income may be adversely impacted during times of subdued market conditions and client activity.

In poor market conditions, the Issuer may be required to hold its investment assets for longer, or sell these assets at a lower price than historically expected and this may impact the Issuer's rate of return on these assets and require funding for longer periods than anticipated. This may include situations where potential buyers of the Issuer's investment assets are unable to obtain financing to purchase assets that the Issuer currently holds or purchases.

Capital market volatility may require the Issuer to make write-downs of its investments and loan impairment provisions. This would impact the Issuer's financial performance.

The COVID-19 pandemic and the Lockdown have impacted the Issuer's business, and the ultimate impact on its business and financial results will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities in response to the COVID-19 pandemic

The COVID-19 pandemic and the Lockdown have adversely impacted the Issuer's business and financial results, and the ultimate impact will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the COVID-19 pandemic and actions taken by governmental authorities in response to the pandemic, including (without limitation) the promulgation of further regulations and/or legislation in connection with the Lockdown and/or the COVID-19 pandemic.

The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, lowered equity market valuations, created significant volatility and disruption in financial markets, and increased unemployment levels. In addition, the COVID-19 pandemic has resulted in temporary closures of many businesses and the institution of social distancing and sheltering in place requirements in many states and communities.

As a result of the Lockdown and/or the COVID-19 pandemic, the demand for the Issuer's products and services may be significantly impacted, which could adversely affect its revenue. Furthermore, the COVID-19 pandemic could continue to result in the recognition of credit losses in the Issuer's loan portfolios and increases in the Issuer's allowance for credit losses. Similarly, because of changing economic and market conditions affecting issuers, the Issuer may be required to recognise the financial implications and impact of market volatility resulting from the COVID-19 pandemic.

The Issuer's business operations may (despite business continuity plans being put in place) be further disrupted should significant portions of its workforce are (or become) unable to work effectively because of the Lockdown and/or the COVID-19 pandemic.

Moreover, the COVID-19 pandemic has created additional operational and compliance risks, including the need to address any increased risk of fraudulent activity and protect the integrity and functionality of the Issuer's systems and networks as a larger number of its employees work remotely.

The COVID-19 pandemic could also result in downgrades to the Issuer's credit ratings or credit outlook.

The extent to which the COVID-19 pandemic impacts the Issuer's business, operations, and financial condition, as well as its regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the COVID-19 pandemic and actions taken by governmental authorities (including the promulgation of further regulations and/or legislation in connection with the Lockdown and/or the COVID-19 pandemic) and other third parties in response to the COVID-19 pandemic.

For purposes of the above paragraphs, "**COVID-19**" means the 2019 novel coronavirus (SARS-COV2/COVID-19) and "**Lockdown**" means the Government-mandated lockdown (whichever level of severity) imposed by the Government, in terms of the South African Disaster Management Act, 2002 and the Regulations thereunder, as updated and/or amended from time to time, in order to reduce the spread of the COVID-19 pandemic, it being recorded that the first such lockdown was the Level 5 lockdown which commenced at midnight on 26 March 2020.

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 Issuer, 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 Issuer is subject to significant competition from other banks operating in South Africa and, potentially from international banks not currently operating in South Africa, including competitors that may have greater financial and other resources, as well as emerging "Fintech" companies. Many of these entities operating in the Issuer's markets compete for substantially the same customers as the Issuer. Competition may increase in some or all of the Issuer's principal markets and may have an adverse effect on its financial condition and results of operations.

Any trend toward consolidation in the global financial services industry may create stronger competitors with broader ranges of product and service offerings, increased access to capital, and greater efficiency and pricing power. The effect of competitive market conditions may adversely impact the earnings and assets of the Issuer.

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

The Issuer 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 the Issuer's business resumption and disaster recovery planning. Any significant degradation or failure of the Issuer's information, processing or trading systems could result in the Issuer failing 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 Issuer's business.

The secure storage, use and transmission of confidential information are critical elements of the Issuer's operations. The Issuer's networks and systems may be vulnerable to unauthorised access and other security problems. The Issuer 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 Issuer's or its clients' confidential information wrongfully which could expose the Issuer to a risk of loss, adverse regulatory consequences or litigation.

The Issuer's future success will depend in part on its ability to respond to changing technologies and demands of the market place. The Issuer'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 Issuer 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 Issuer may be unable to recruit, retain and motivate key personnel

The Issuer's performance is dependent on the talents and efforts of key personnel, some of whom may have been employed by the Issuer for a substantial period of time and have developed with the business. The Issuer'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 Issuer is reliant on the continued development of the educational sector within South Africa, including access to facilities and educational programmes by its future employees. The Issuer has implemented programmes to attract new employees and equip them with appropriate skills.

Legal, regulatory and tax risk

The Issuer's business in South Africa is highly regulated (see the section of this Prospectus headed "*The Banking Sector in South Africa*" below).

Regulatory agencies have broad jurisdiction over many aspects of the Issuer's business, including capital adequacy, prudential and liquidity requirements (see the section of this Prospectus headed "*The Banking Sector in South Africa*" under "*Banks Act, 1990: Basel III*" and "*Risks relating to capital adequacy requirements*" below), premium rates, marketing and selling practices, advertising, licensing agents, policy forms, terms of business and permitted investments. Failure to comply with legal and regulatory

requirements, including fiscal provisions, or government policies, may have an adverse effect on the Issuer and its reputation among customers and regulators in the market.

The Issuer may also be adversely affected by future changes in government policy, legal, regulatory and compliance requirements. In particular, any further change in regulation of the Issuer to increase the requirements for capital adequacy or liquidity (see the section of this Prospectus headed "*The Banking Sector in South Africa*" under "*Banks Act, 1990: Basel III*" and "*Risks relating to capital adequacy requirements*" below), or a change in accounting standards, may have an adverse effect on the Issuer's business. Future fiscal developments or changes to fiscal laws in South Africa may also have a material adverse effect on the Issuer and on its business.

A number of regulatory changes have been implemented or proposed in various jurisdictions as a result of the global economic crisis of 2008, which may affect certain business activities of the Issuer.

It is not possible to predict what further future regulatory or related changes may result from the global economic crisis or the effect any such changes would have on the Issuer and its business.

The Issuer is also exposed to the risk of inappropriate or inadequate documentation of contractual relationships.

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 Issuer 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.

South Africa, as well as the financial sector, are currently exposed to the risk of further credit rating downgrades should political, social, fiscal and monetary or other factors point towards diminished ability to service foreign debt over the longer-term.

Within this context, investors should 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

For a fuller description of Basel III and the capital adequacy requirements under South African banking legislation, see the section of this Prospectus headed "*The Banking Sector in South Africa*" under "*Banks Act, 1990: Basel III*" below.

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.

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" (together, "**Regulatory Capital**") which banks may hold in order to meet the capital adequacy requirements prescribed by South African banking legislation.

The relevant authority for purposes of, among other things, Basel III in South Africa and the South African Banks Act, 1990 ("**Banks Act**") is the Prudential Authority established in terms of section 32 of the Financial Sector Regulation Act, 2017 (see the section of this Prospectus headed "*The Banking Sector in South Africa*" under "*Financial Sector Regulation Act, 2017*" below) or such other governmental authority (if any) in South Africa as will have the responsibility for making decisions relating to the declaration of a bank as being non-viable ("**Prudential Authority**" and "**Authority**"). The Prudential Authority has the responsibility of making decisions relating to the declaration of a bank as being non-viable, with the effect of triggering loss absorption within the relevant capital instruments.

The main impact of Basel III on South African banks (including the Issuer) and the "controlling companies" of South African banks (including Nedbank Group Limited ("**Nedbank Group**" or "**Group Limited**"), the "controlling company" of the Issuer) has been 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 have needed to optimally structure their capital base and reform their funding models to meet the requirements of the new liquidity ratios.

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.

Uncertainties relating to the South African implementation of the Basel III Loss Absorption PONV Requirements

The Banks Act and Government Notice No 297 of 2016 published in *Government Gazette* No. 40002, dated 20 May 2016 ("**Regulations Relating to Banks**") provide for the full implementation of the Basel III Accord in South Africa and, to this end, have adopted the language of the Basel III Accord.

Basel III requires the implementation of certain loss absorbing criteria under certain non-viability circumstances, as set out in the Basel III Accord ("**Loss Absorption PONV Requirements**").

Regulations 38(11)(b) and 38(12) of the Regulations Relating to Banks ("**Regulations 38(11)(b) and 38(12)**") provide for the Loss Absorption PONV Requirements with which Additional Tier 1 capital instruments and Tier 2 capital instruments, respectively, must comply in order for the proceeds of the issue of such capital instruments to rank as Additional Tier 1 Capital and Tier 2 Capital, respectively. The language of Regulations 38(11)(b) and 38(12) reflects the relevant language in the Basel III Accord and, from a South African law perspective, this has led to a number of uncertainties (see the section of this Prospectus headed "*The Banking Sector in South Africa*" under "*Banks Act, 1990: Basel III*" below).

The Prudential Authority has endeavoured to address these uncertainties by issuing, on a periodic basis, certain guidance notes in terms of section 6 of the Banks Act. Some (but not all) of these uncertainties have been clarified by, in particular, Guidance Note 06/2017 headed "*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital*", dated 14 August 2017 ("**Guidance Note 06/2017**") (see the section of this Prospectus headed "*The Banking Sector in South Africa*" under "*Banks Act, 1990: Basel III*" below).

Bearing in mind the uncertainties referred to above, it is difficult for the Issuer to predict the precise effects of the changes that may result from the implementation of Basel III (or any portion thereof) in South Africa and/or what regulatory changes may be imposed in the future, or estimate, with accuracy, the impact that the implementation of Basel III (or any portion thereof) 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 implementation of Basel III (or any portion thereof) 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

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. See further *"Risks relating to the Subordinated Notes – Loss absorption at the point of non-viability of the Issuer"* below.

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.

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 increase in demand for foreign currency and/or a 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 SARB.

Risks relating to the Notes

Bail-in option and Recovery and Resolution Legislation

As at the date of this Prospectus, the only explicit reference to the write-down or conversion of liabilities in South African financial sector legislation is the 'PONV' write-down and conversion of Additional Tier 1 and Tier 2 Notes, as set out in Regulations 38(11)(b) and 38(12).

However, certain "recovery and resolution" legislation (the "**Recovery and Resolution Legislation**") is in the process of being finalised in South Africa. The Recovery and Resolution Legislation (which is not yet law) is expected to implement a statutory bail-in option under South African law. There are a number of uncertainties that arise from the Recovery and Resolution Legislation (see the section of this Prospectus headed *"The Banking Sector in South Africa"* under *"Banks Act, 1990: Basel III" – "Recovery and Resolution Legislation"* below).

Any future bail-in option exercised by the SARB (as the "**resolution authority**") in respect of the Notes will involve the exercise of some discretion by the SARB, 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.

It is difficult for the Issuer to predict the precise effects of the changes that may result from the implementation of the Recovery and Resolution Legislation or the impact of the Recovery and Resolution

Legislation on other aspects of its operations or the impact the of Recovery and Resolution Legislation on the pricing of the Notes (see the section of this Prospectus headed "*The Banking Sector in South Africa*" under "*Banks Act, 1990: Basel III*" – "*Recovery and Resolution Legislation*" below).

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 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 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 (see, in addition "*Risks relating to the Subordinated Notes*" under "*Early redemption*" below).

There is no active trading market for the Notes

Notes issued under 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 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.

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

As the Recovery and Resolution 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 Recovery and Resolution Legislation is implemented.

Therefore, holders of the Notes may have limited rights to challenge any decision of the SARB to exercise its bail-in option or to have that decision reviewed by a judicial or administrative process or otherwise.

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 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 rating could make the Notes less attractive to potential investors and therefore adversely affect the trading price for the Notes issued under the Programme.

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.

Exchange rate risks

The Issuer will pay principal and interest on the Notes in the currency specified in 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: (a) the Investor's Currency-equivalent yield on the Notes; (b) the Investor's Currency equivalent value of the principal payable on the Notes; and (c) the Investor's Currency equivalent market value of the Notes.

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 depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**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 December 2020 ("**Deed of Covenant**").

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:

Certain benchmark rates, including LIBOR and EURIBOR, may be discontinued or reformed in the future - including the potential phasing-out of LIBOR after 2021

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rate or other types of rates and indices which are deemed to be benchmarks are the subject of ongoing national and international regulatory discussions and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented.

Regulation (EU) No. 2016/1011 (the "**Benchmarks Regulation**") on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds became applicable from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark, within the EU. The Benchmarks Regulation could have a material impact on any Notes linked to LIBOR, EURIBOR or another benchmark rate or index, in particular, if the methodology or other terms of the benchmark are changed in order to comply with the terms of the Benchmarks Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or

otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain "benchmarks," trigger changes in the rules or methodologies used in certain "benchmarks" or lead to the discontinuance or unavailability of quotes of certain "benchmarks."

As an example of such benchmark reforms, on 27 July 2017, the FCA announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 and, on 12 July 2018, announced that the LIBOR benchmark may cease to be a regulated benchmark under the Benchmarks Regulation. Such announcements indicate that the continuation of LIBOR on the current basis (or at all) cannot and will not be guaranteed after 2021.

At this time, it is not possible to predict the effect of any establishment of alternative reference rates or any other reforms to LIBOR that may be enacted in the United Kingdom or elsewhere. Uncertainty as to the nature of such alternative reference rates or other reforms may adversely affect the trading market for LIBOR-linked securities. The potential elimination of benchmarks, such as LIBOR, the establishment of alternative reference rates or changes in the manner of administration of a benchmark could also require adjustments to the terms of benchmark-linked securities and may result in other consequences, such as interest payments that are lower than, or that do not otherwise correlate over time with, the payments that would have been made on those securities if the relevant benchmark was available in its current form.

The elimination of the LIBOR benchmark or any other benchmark, or changes in the manner of administration of any benchmark, could require or result in an adjustment to the interest calculation provisions of the Conditions (as further described in Condition 9(j) (*Benchmark Discontinuation*)), or result in adverse consequences to holders of any Notes linked to such benchmark (including Floating Rate Notes whose interest rates are linked to LIBOR, EURIBOR or any other such benchmark that is subject to reform). Furthermore, even prior to the implementation of any changes, uncertainty as to the nature of alternative reference rates and as to potential changes to such benchmark may adversely affect such benchmark during the term of the relevant Notes, the return on the relevant Notes and the trading market for securities (including the Notes) based on the same benchmark.

The "*Terms and Conditions of the Notes*" provide for certain fallback arrangements in the event that a published benchmark, such as LIBOR, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable, including the possibility that the rate of interest could be set by reference to a successor rate or an alternative rate and that such successor rate or alternative reference rate may be adjusted (if required) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark, although the application of such adjustments to the Notes may not achieve this objective. Any such changes may result in the Notes performing differently (which may include payment of a lower interest rate) than if the original benchmark continued to apply. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used.

This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative reference rates and the involvement of an Independent Adviser (as defined in the Conditions), the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value of and return on any such Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

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.

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.

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, (a) 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 is no longer able to claim deductions to the same extent in respect of computing its taxation liabilities or (b) the Issuer's treatment of the interest payable by it on the Additional Tier 1 Notes as a tax deductible expense for South African income tax purposes is not accepted by the South African Revenue Service (a "**Tax Event**"); or (c) 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, as the case may be, 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.

Notes issued with a specific use of proceeds, such as Green, Social or Sustainability Bonds, may not meet investor expectations or requirements

The applicable Final Terms may provide that the Issuer may use an amount equal to the net proceeds of the offer (as at the date of issuance of such Notes) to allocate an equivalent amount of funding specifically to

businesses and projects that, in the Issuer's sole judgement and discretion, satisfy certain eligibility requirements that purport to promote green initiatives, sustainable goals and other environmental and/or social purposes ("**Eligible Projects**") (each a "**Green, Social or Sustainability Bond**").

If the use of proceeds of the Notes is a factor in a prospective investor's decision to invest in the Notes, they should consider the disclosure in "*General Information – Use of Proceeds*" below and in the applicable Final Terms and consult with their legal or other advisers before making an investment in the Notes and must determine for themselves the relevance of such information for the purpose of any investment in such Green, Social or Sustainability Bond together with any other investigation such investor deems necessary.

In particular no assurance is given by the Issuer that the use of such proceeds for any Eligible Projects will meet the requirements set out in any applicable framework, whether in whole or in part, or any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own articles of association or other governing rules or investment mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any of the businesses and projects funded with the proceeds from any particular Green, Social or Sustainability Bond).

Furthermore, it should be noted that there is currently no clearly agreed definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a 'green', 'social' or 'sustainable' or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as 'green', 'social', 'sustainable' or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time. Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any of the businesses and projects funded with the proceeds from any particular Green, Social or Sustainability Bond will meet any or all investor expectations regarding such 'green', 'social', 'sustainable' or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Projects.

Furthermore, there is no contractual obligation to allocate the proceeds of the Notes to finance eligible businesses and projects or to provide annual progress reports as described in "*General Information - Use of Proceeds*" below and/or and in the applicable Final Terms. The Issuer's failure to allocate the proceeds of any particular Green, Social or Sustainability Bond to finance an Eligible Project or to provide annual progress reports, the failure of any of the Eligible Projects to meet any or all investor expectations regarding such 'green', 'social', 'sustainable' or other equivalently-labelled performance objectives, or the failure of an independent external review provider with environmental or social expertise to issue a second party opinion on the allocation of the bond proceeds ("**Second Party Opinion**"), will not constitute an Event of Default or breach of contract with respect to any particular Green, Social or Sustainability Bond and may affect the value of any particular Green, Social or Sustainability Bond and/or have adverse consequences for certain investors with portfolio mandates to invest in green, social or sustainable assets.

The net proceeds of any particular Green, Social or Sustainability Bond (as at the date of issuance of such Green, Social or Sustainability Bond) which, from time to time, are not allocated as funding for Eligible Projects are intended by the Issuer to be held pending allocation as funding towards the funding of Eligible Projects. The Issuer does not undertake to ensure that there is at all times a sufficient aggregate amount of Eligible Projects to allow for allocation of the net proceeds of the issue of such Green, Social or Sustainability Bond in full.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of the Second Party Opinion or any other opinion or certification of any third party (whether or not solicited by the Issuer or any affiliate) which may be made available in connection with any particular Green, Social or Sustainability Bond and in particular whether any Eligible Projects fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any Second Party Opinion and any such other opinion or certification is not, nor shall it be deemed to be, incorporated in and/or form part of this Prospectus. Any Second Party Opinion and any such other opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer or any other person to enter into any particular Green, Social or Sustainability Bond. Any Second Party Opinion and any such other opinion or certification is only current as of the date that such Second Party Opinion or such other opinion or certification was initially issued. Prospective investors must determine for themselves the relevance of any Second Party Opinion and any such other opinion or certification and/or the information contained therein and/or the provider of

such Second Party Opinion or such other opinion or certification for the purpose of any investment in such Green, Social or Sustainability Bond. Currently, the providers of such Second Party Opinions and any such other opinions and certifications are not subject to any specific regulatory or other regime or oversight. In particular, no assurance or representation is or can be given by the Issuer to investors that any Second Party Opinion or any such other opinion or certification will reflect any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply. The Noteholders have no recourse against the Issuer or the provider of any Second Party Opinion or any such other opinion or certification for the contents of any such Second Party Opinion or any such other opinion or certification. A withdrawal of any Second Party Opinion or any such other opinion or certification may affect the value of any Green, Social or Sustainability Bond, may result in the delisting of such Green, Social or Sustainability Bond from any dedicated 'green', 'social' or 'sustainable' or other equivalently-labelled segment of any stock exchange or securities market and/or may have consequences for certain investors with portfolio mandates to invest in green assets.

If any particular Green, Social or Sustainability Bond is at any time listed or admitted to trading on any dedicated 'green', 'social' or 'sustainable' or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own articles of association or other governing rules or investment mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any of the businesses and projects funded with the proceeds from any particular Green, Social or Sustainability Bond). Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of any particular Green, Social or Sustainability Bond or, if obtained, that any such listing or admission to trading will be maintained during the life of any particular Green, Social or Sustainability Bond.

The market continues to develop in relation to SONIA and SOFR as reference rates for Floating Rate Notes

On 29 November 2017, the Bank of England and the FCA announced that, from January 2018, the Bank of England's Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to SONIA over the next four years across sterling bond, loan and derivatives markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021. Investors should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to Sterling LIBOR. In particular, market participants and relevant working groups are exploring alternative reference rates based on SONIA, including term SONIA reference rates (which seek to measure the market's forward expectation of an average SONIA rate over a designated term). The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Conditions and used in relation to Floating Rate Notes that reference a SONIA rate issued under this Programme. As SONIA is published and calculated by the Bank of England based on data received from other sources, the Issuer has no control over its determination, calculation or publication. There can be no guarantee that SONIA will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in Floating Rate Notes linked to SONIA. If the manner in which SONIA is calculated is changed, that change may result in a reduction of the amount of interest payable on such Notes and the trading prices of such Notes.

SOFR is published by the Federal Reserve Bank of New York (the "**Federal Reserve**") and is intended to be a broad measure of the cost of borrowing cash overnight collateralised by Treasury securities. The Federal Reserve notes on its publication page for SOFR that the Federal Reserve may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. Because SOFR is published by the Federal Reserve based on data received from other sources, the Issuer has no control over its determination, calculation or publication. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in Floating Rate Notes linked to SOFR. If the manner in which SOFR is calculated is changed, that change may result in a reduction of the amount of interest payable on such Notes and the trading prices of such Notes. The Federal Reserve began to publish SOFR in April 2018. The Federal Reserve has also begun publishing historical indicative SOFR rates going back to 2014. Investors should not rely on any

historical changes or trends in SOFR as an indicator of future changes in SOFR. Also, since SOFR is a relatively new market index, Notes linked to SOFR may have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities indexed to SOFR, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of the Notes linked to SOFR may be lower than those of later-issued indexed debt securities as a result.

The Issuer may in the future also issue Notes referencing SONIA or SOFR that differ materially in terms of interest determination when compared with any previous SONIA-referenced or SOFR-referenced Notes issued under the Programme. The development of Compounded Daily SONIA, Compounded Daily SOFR and Weighted Average SOFR as interest reference rates for the Eurobond markets, as well as continued development of SONIA-based and SOFR-based rates for such markets and market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or otherwise affect the market price of any SONIA-referenced or SOFR-referenced Notes issued under the Programme. Interest on Notes which reference Compounded Daily SONIA, Compounded Daily SOFR or Weighted Average SOFR is only capable of being determined at the end of the relevant Interest Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in Notes that reference a SONIA rate or SOFR rate to reliably estimate the amount of interest that will be payable on such Notes. Further, if the Notes become due and payable under Condition 15 (*Events of Default*), the Rate of Interest applicable to the Notes shall be determined on the date the Notes became due and payable and shall not be reset thereafter. In addition, the manner of adoption or application of SONIA reference rates and SOFR reference rates in the Eurobond markets may differ materially compared with the application and adoption of SONIA and SOFR in other markets, such as the derivatives and loan markets.

Investors should carefully consider how any mismatch between the adoption of SONIA reference rates and SOFR reference rates across these markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of any Notes referencing a SONIA rate or a SOFR rate. Investors should consider these matters when making their investment decision with respect to any such Notes.

Further, if SONIA or SOFR do not prove to be widely used in securities like the Notes, the trading prices of Notes linked to SONIA or SOFR may be lower than those of securities linked to reference rates that are more widely used. Investors in such Notes may not be able to sell such Notes at all or may not be able to sell such Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market and may consequently suffer from increased pricing volatility and market risk.

Risks relating to the Subordinated Notes

Loss Absorption PONV Requirements and Write-off of Subordinated Notes

As at the date of this Prospectus, the Loss Absorption PONV Requirements are required to be incorporated by contract in order to be effective. The relevant contractual provisions are set out in Regulations 38(11)(b) and 38(12) as read with Guidance Note 06/2017 (see "*Uncertainties relating to the South African implementation of the Basel III Loss Absorption PONV Requirements*" above and the section of this Prospectus headed "*The Banking Sector in South Africa*" under "*Banks Act, 1990: Basel III*" below).

Under the Loss Absorption PONV Requirements provided for in Regulations 38(11)(b) and 38(12) as read with Guidance Note 06/2017, 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, as the case may be, must have a provision that requires such instruments, at the occurrence of the relevant Trigger Event (at the discretion of the Prudential Authority) 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).

This Prospectus does not provide for the Conversion of Subordinated Notes on the occurrence of the relevant Trigger Event.

At the occurrence of the relevant Trigger Event (at the discretion of the Prudential Authority) the specific Subordinated Notes to be Written Off will be determined by the Prudential Authority. The Prudential Authority will also determine whether those Subordinated Notes will be Written-Off in whole or in part (see the section of this Prospectus headed "*The Banking Sector in South Africa*" under "*Banks Act, 1990:*

Basel III" below). This may result in Noteholders of Subordinated Notes losing some or all of their investment. The occurrence of the relevant 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.

Guidance Note 06/2017 requires banks to indicate, in the contractual terms and conditions of instruments the proceeds of which rank (or are intended to rank) as Tier 2 Capital or Additional Tier 1 Capital, whether such instruments will be either Written Off or Converted at the occurrence of the relevant Trigger Event, as envisaged in Regulations 38(11)(b) and 38(12). To the extent that any instruments are issued prior to the commencement of the Statutory Loss Absorption Regime, such instruments will have to contractually provide for Write-off or Conversion at the occurrence of the relevant Trigger Event. Accordingly, the Conditions for Tier 2 Notes and Additional Tier 1 Notes provide for the Write-off of such Notes in accordance with Regulations 38(11)(b) and 38(12) as read with Guidance Note 06/2017, upon the occurrence of the relevant Trigger Event (at the discretion of the Prudential Authority), subject to Condition 12(d) (*Disapplication of Non-Viability Loss Absorption Condition*).

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.

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 Issuer and/or prove in any winding-up of the Issuer, 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 Issuer.

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 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 Issuer 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 a claim in any winding-up of the Issuer, but may take no other action in respect of such default.

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

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

As at the date of this Prospectus, the relative subordinations of the various capital instruments issued by a bank or its controlling company are not entirely clear, although the importance of investor certainty in this regard has been recognised by the relevant South African authorities.

The above applies, in particular, to the specific relative subordinations between Common Equity Tier 1 instruments, Additional Tier 1 instruments and Tier 2 instruments (all "new-style" capital instruments, some of which are provided for under this Prospectus).

Winding-up or liquidation of the Issuer

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 which ranks or is expressed to rank (or is deemed under the Capital Regulations to rank) senior to the Additional Tier 1 Notes and/or the proceeds of which qualify (or are deemed under the Capital Regulations to qualify) as Tier 2 Capital of the Issuer ("**Subordinated Debt**"), in full before it can make any payments in respect of 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.

Capital Regulations

In order for the proceeds of the issuance of a Series of Subordinated Notes to qualify as Additional Tier 1 Capital or Tier 2 Capital, 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 Prudential Authority in respect of that Series of Subordinated Notes.

Early redemption

Subordinated Notes may only be redeemed prior to the Maturity Date or prior to a winding-up or liquidation of the Issuer, as applicable, upon the occurrence of a Tax Event or a Regulatory Event or, if in the case of any particular Series of Subordinated Notes, the relevant Final Terms specify that the Subordinated Notes are redeemable at the Issuer's option, on the prescribed early redemption date, subject to compliance with the prescribed conditions to redemption.

Any redemption of Subordinated Notes prior to the Maturity Date or prior to a winding-up or liquidation of the Issuer, as applicable, requires the prior written approval of the Prudential Authority. In addition, any redemption of Subordinated Notes prior to the Maturity Date or prior to a winding-up or liquidation of the Issuer, as applicable, must be at the election of the Issuer.

Subordinated Noteholders have no right to call for the redemption of Subordinated Notes.

Determination and Notification of Trigger Event

The Prudential 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 Prudential 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 Issuer ceasing to be viable.

Regulations 38(11)(b) and 38(12) (as read with Guidance Note 06/2017), which implement the Loss Absorption PONV Requirements, also provide that the relevant Trigger Event must "*as a minimum*" be the earlier of the Prudential Authority's decision that either (i) or (ii) applies. This wording appears to grant the Prudential Authority discretion to determine a Trigger Event which may occur earlier than the events 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 06/2017 contemplates that further legislative guidance will be provided in due course, as at the date of this Prospectus the Issuer cannot give any further assurances as to what any such Trigger Event will be, or the implications for investors in Subordinated Notes.

Moreover, in relation to liability accounted Additional Tier 1 Notes, the Capital Regulations do not prescribe whether it is the Prudential Authority or the Issuer who is ultimately responsible for determining the CET 1 Ratio of the Issuer. Whilst the Issuer regularly publishes its CET 1 Ratio in both its annual and half yearly financial statements, it is not certain that the Prudential Authority will necessarily agree with

the Issuer's determination of its CET 1 Ratio from time to time, and the Prudential Authority may carry out its own assessment of the Issuer'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 Prudential Authority's determination that a relevant Trigger Event has occurred in respect of any Series of Subordinated Notes, and its communication of that decision to the Issuer. Whilst the Issuer expects that any such notification would be made swiftly in order to ensure market stability, the Prudential 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 Prudential Authority notifies the Issuer of such occurrence), there is a risk that there is delay between the Prudential Authority's decision to require a Write-Off and the Issuer being able to notify holders of Subordinated Notes of this occurrence (see, in addition, the section of this Prospectus headed "*The Banking Sector in South Africa*" under "*Banks Act, 1990: Basel III*" below).

Waiver of set-off

In the event the Issuer is placed into liquidation or wound-up (or is subject to analogous proceedings), the Conditions provide that a holder of Subordinated Notes may not exercise or claim any right of set-off in relation to unpaid principal and/or interest in respect of any Subordinated Notes before the claims of all Depositors and Senior Creditors (and, in the case of Additional Tier 1 Notes, all holders of Subordinated Debt) of the Issuer have been paid or discharged in full, as further described in Condition 5 (*Status*). However, holders of Subordinated Notes should note that their right to exercise set-off during any liquidation, curatorship or winding-up (or analogous proceedings) of the Issuer, even after the claims of such Depositors and Senior Creditors (and, in the case of Additional Tier 1 Notes, all holders of Subordinated Debt) have been paid or discharged in full, may be limited under South African law.

Additional risks relating to Additional Tier 1 Notes

Election not to pay interest on Additional Tier 1 Notes

The Issuer must at all times have full discretion regarding any payment of interest on the Additional Tier 1 Notes. Accordingly, 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. Interest payments on the Additional Tier 1 Notes are not cumulative. The Issuer must elect not to pay any interest payment on the Additional Tier 1 Notes, on the relevant interest payment date if 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.

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, subject as set out under "*Early Redemption*" above, 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 (other than pursuant to a solvent reconstruction) or liquidation of the Issuer.

Additional Tier 1 Noteholders may therefore be required to bear the risks of an investment in the Additional Tier 1 Notes for an indefinite period of time.

Payment out of distributable reserves only

Should the Issuer pay any distribution in respect of an instrument or share the proceeds of which rank as Additional Tier 1 Capital, such distribution must be paid out of the distributable reserves only, as envisaged by Regulation 38(11)(a)(iv) of the Regulations Relating to Banks.

Additional Tier 1 Noteholders should note that if the Issuer does not have sufficient distributable reserves then it will not be permitted to make any payments in respect of the Additional Tier 1 Notes.

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 prescribed conditions.

Additional Tier 1 Noteholders of liability accounted Additional Tier 1 Notes will bear the risk of fluctuations in the CET 1 Ratio

The market price of liability accounted Additional Tier 1 Notes is expected to be affected by fluctuations in the Issuer's CET 1 Ratio. Fluctuations in the CET 1 Ratio may be caused by changes in the amount of the Issuer's Common Equity Tier 1 Capital and/or its risk weighted assets, as well as changes to the respective definitions thereof under the Capital Regulations. Any indication that the CET 1 Ratio is moving towards the level at which a Trigger Event will occur may have an adverse effect on the market price of liability accounted Additional Tier 1 Notes. The level of the CET 1 Ratio may significantly affect the trading price of liability accounted Additional Tier 1 Notes.

Risks relating to the Credit Linked Notes

Noteholders are exposed to credit risk on Reference Entities

The holders of Credit Linked Notes ("CLNs") will be exposed to the credit risk of one or more Reference Entities. Upon the occurrence of any of the default events comprising a Credit Event with respect to any Reference Entity, the Noteholders may suffer significant losses at a time when losses may be suffered by a direct investor in obligations of such Reference Entity. However, the holding of a Note is unlikely to lead to outcomes which exactly reflect the impact of investing in an obligation of a Reference Entity, and losses could be considerably greater than would be suffered by a direct investor in the obligations of a Reference Entity and/or could arise for reasons unrelated to such Reference Entity. Noteholders should also note that a Credit Event may occur even if the obligations of a Reference Entity are unenforceable or their performance is prohibited by any applicable law or exchange controls.

Where cash settlement or auction settlement applies, the occurrence of a Credit Event in relation to any Reference Entity from time to time may result in a redemption of the CLNs in a reduced principal amount or at zero, and, (if applicable) in a reduction of the amount on which interest is calculated. Where physical settlement applies, the occurrence of a Credit Event may result in the redemption of the CLNs based on the valuation (or by delivery) of certain direct or indirect obligations of the affected Reference Entity, which obligations are likely to have a market value which is substantially less than their par amount.

Investors in CLNs are accordingly exposed, as to both principal and (if applicable) interest, to the credit risk of the Reference Entity. The maximum loss to an investor in CLNs is 100 per cent. of their initial principal investment, together with (if applicable) any interest amounts.

Limited provision of information about the Reference Entities

This Prospectus does not provide any information with respect to the Reference Entities. Investors should conduct their own investigation and analysis with respect to the creditworthiness of Reference Entities and the likelihood of the occurrence of a Credit Event.

Reference Entities may not be subject to regular reporting requirements under relevant securities laws. The Reference Entities may report information in accordance with different disclosure and accounting standards. Consequently, the information available for such Reference Entities may be different from, and in some cases less than, the information available for entities that are subject to the reporting requirements under the United Kingdom securities laws. None of the Issuer, the Calculation Agent or any of their respective affiliates make any representation as to the accuracy or completeness of any information available with respect to the Reference Entities.

None of the Issuer, or the Calculation Agent or any of their respective affiliates will have any obligation to keep investors informed as to any matters with respect to the Reference Entities or any of their obligations, including whether or not circumstances exist that give rise to the possibility of the occurrence of a Credit Event with respect to the Reference Entities.

CLNs do not represent an interest in obligations of Reference Entities

The CLNs do not constitute an acquisition by the holders of the CLNs of any interest in any obligation of a Reference Entity, and the Noteholders will not have any voting or other rights in relation to such obligation. The Issuer does not grant any security interest over any such obligation.

A Credit Event may occur prior to the Trade Date

Holders of CLNs may suffer a loss of some or all of the principal amount of the CLNs in respect of one or more Credit Events that occur prior to the Trade Date or the Issue Date, if the Credit Event Backstop Date is specified as a date falling prior to such date. Neither the Calculation Agent nor the Issuer nor any of their respective affiliates has any responsibility to inform any Noteholder, or avoid or mitigate the effects of a Credit Event that has taken place prior to the Trade Date or the Issue Date.

Credit risk may be increased where the Reference Entities are concentrated in a particular sector or region

The credit risk to investors in CLNs may be increased, amongst other things, as a result of the concentration of Reference Entities in a particular industry sector or geographic area, or the exposure of the Reference Entities to similar financial or other risks as other Reference Entities.

Issuer and Calculation Agent will act in their own interests

The Issuer will exercise its rights under the terms of CLNs, including in particular the right to designate a Credit Event and the right to select obligations of the affected Reference Entity for valuation or delivery, in its own interests and those of its affiliates, and not in the interests of investors in CLNs. The exercise of such rights in such manner, for example by the selection of the eligible obligations of the Reference Entity having the lowest possible market value for valuation or delivery, as applicable, may result in an increased credit loss for holders of CLNs.

The determination by the Calculation Agent of any amount or of any state of affairs, circumstance, event or other matter, or the formation of any opinion or the exercise of any discretion required or permitted to be determined, formed or exercised by the Calculation Agent shall (in the absence of manifest error) be final and binding on the Noteholders. In performing its duties pursuant to CLNs and making any determinations expressed to be made by it, for example, as to substitute Reference Obligations or Successors, the Calculation Agent shall act in its sole and absolute discretion and is under no obligation to act in the interests of the Noteholders, nor will it be liable to account for any profit or other benefit which may accrue to it as a result of such determinations. The Calculation Agent is not bound to follow, or act in accordance with, any determination of the relevant Credit Derivatives Determinations Committee.

Actions of Reference Entities may affect the value of CLNs

Actions of Reference Entities (for example, merger or demerger or the repayment or transfer of indebtedness) may adversely affect the value of CLNs. Holders of CLNs should be aware that the Reference Entities to which the value of the CLNs is exposed, and the terms of such exposure, may change over the term of the CLNs.

Payments under CLNs may be deferred or suspended

In certain circumstances, for example where (i) a Credit Event has occurred and the related credit loss has not been determined as at the relevant date for payment, (ii) where a potential Credit Event exists as at the scheduled maturity of the CLNs, or (iii) pending a resolution of a Credit Derivatives Determinations Committee, payment of the redemption amount of the CLNs and/or interest on the CLNs may be deferred for a material period in whole or part without compensation to the holders of the CLNs.

Suspension of Obligations will suspend payment of principal and interest

If the Calculation Agent determines that, under the terms of the CLNs, the obligations of the parties would be suspended pending a resolution of a Credit Derivatives Determinations Committee all of the obligations of the Issuer under each Note (including any obligation to deliver any notices, pay any interest, principal or settlement amount or to make any delivery) and if so specified in the Pricing Supplement, all of the obligations of the Calculation Agent to calculate any interest under each Note shall, be and remain suspended until the International Swaps and Derivatives Association, Inc. ("**ISDA**") publicly announces that the relevant Credit Derivatives Determinations Committee has resolved the matter in question or not to determine such matters. The Calculation Agent will provide notice of such suspension as soon as reasonably practicable; however, any failure or delay by the Calculation Agent in providing such notice will not affect the validity or effect of such suspension. No interest shall accrue on any payments which are suspended in accordance with the above.

Use of Auction Settlement may adversely affect returns to Noteholders

The Auction Final Price determined pursuant to an auction may be less than the market value that would otherwise have been determined in respect of the specified Reference Entity or its obligations. In particular, the Auction process may be affected by technical factors or operational errors which would not otherwise apply or may be the subject of actual or attempted manipulation. Auctions may be conducted by ISDA or by a relevant third party. Neither the Calculation Agent, the Issuer nor any of their respective Affiliates has any responsibility for verifying that any auction price is reflective of current market values, for establishing any auction methodology or for verifying that any auction has been conducted in accordance with its rules. The Issuer will have no responsibility to dispute any determination of an Auction Final Price or to verify that any Auction has been conducted in accordance with its rules.

Following an M(M)R Restructuring Credit Event in relation to which ISDA sponsors multiple concurrent auctions, but where there is no auction relating to credit derivative transactions with a maturity corresponding to the CLNs, if the Calculation Agent exercises the right of the buyer of credit risk protection under the CLNs to elect that the Auction Final Price is determined by reference to an alternative Auction, the Auction Final Price so determined may be lower than the amount which would have been determined based on quotations sought from third party dealers, resulting in a lower redemption amount payable to Noteholders.

Use of Cash Settlement may adversely affect returns to Noteholders

If the CLNs are cash settled, then, following the occurrence of a Credit Event, the Calculation Agent may be required to seek quotations in respect of selected obligations of the affected Reference Entity.

Quotations obtained will be "**bid-side**" - that is, they will be reduced to take account of a bid-offer spread charged by the relevant dealer. Such quotations may not be available, or the level of such quotations may be substantially reduced or may vary substantially as a result of illiquidity in the relevant markets or as a result of factors other than the credit risk of the affected Reference Entity (for example, liquidity constraints affecting market dealers). Accordingly, any quotations so obtained may be significantly lower than the value of the relevant obligation which would be determined by reference to (for example) the present value of related cash flows. Quotations will be deemed to be zero in the event that no such quotations are available.

Risks in respect of specified Final Price

If the Final Price is specified in the Final Terms in relation to a Series of CLNs, such fixed Final Price may be lower (and may be significantly lower) than the Auction Final Price or the recovery which an investor in bonds or instruments issued by the Reference Entity would receive.

CLNs may have a binary payout

If the Final Terms specifies a percentage amount in respect of the Final Price, the Calculation Agent will not be required to seek quotations in respect of obligations of the affected Reference Entity and the relevant cash payment to Noteholders following the relevant Credit Event will instead be determined with reference to such percentage amount specified in the Pricing Supplement, such amount will be the "Final Price" for the purposes of the Terms and Conditions and the calculation of the Cash Settlement Amount. This amount may be significantly different than (and may be significantly less than) the trading price of obligations of

the Reference Entity following a Credit Event. For example, if the Pricing Supplement specifies the Final Price as being 0 per cent., the Final Price of the relevant obligations for the purposes of determining the Cash Settlement Amount will be zero and as a consequence the amount payable to Noteholders in respect of the affected Reference Entity will be nil.

"Cheapest-to-Deliver" risk

Since the Issuer, as buyer of protection, has discretion to choose the portfolio of obligations to be valued or delivered following a Credit Event in respect of a Reference Entity where Cash or Physical Settlement apply, it is likely that the portfolio of obligations selected will be obligations of the Reference Entity with the lowest market value that are permitted to be selected pursuant to the CLNs. This could result in a lower recovery value and hence greater losses for investors in the CLNs.

The Issuer is not obliged to suffer any loss as a result of a Credit Event

Credit losses will be calculated for the purposes of the CLNs irrespective of whether the Issuer or its Affiliates has suffered an actual loss in relation to the Reference Entity or any obligations thereof. The Issuer is not obliged to account for any recovery which it may subsequently make in relation to such Reference Entity or its obligations.

The value of the CLNs may be adversely affected by illiquidity or cessation of indices

In determining the value of the CLNs, dealers may take into account the level of a related credit index in addition to or as an alternative to other sources of pricing data. If any relevant index ceases to be liquid, or ceases to be published in its entirety, then the value of the CLNs may be adversely affected.

Historical performance may not predict future performance

Individual Reference Entities may not perform as indicated by the historical performance of similar entities and no assurance can be given with respect to the future performance of any Reference Entities. Historical default statistics may not capture events that would constitute Credit Events for the purposes of the CLNs.

Cash settlement (whether by reference to an auction or a dealer poll) may be less advantageous than physical delivery of assets

Payments on the CLNs following the occurrence of an Event Determination Date may be in cash and will reflect the value of relevant obligations of the affected Reference Entity at a given date or be determined based on such other percentage amount specified in the Pricing Supplement, which may be zero. Such payments may be less than the recovery which would ultimately be realised by a holder of debt obligations of the affected Reference Entity, whether by means of enforcement of rights following a default or receipt of distributions following an insolvency or otherwise.

Rights associated with Credit Derivatives Determinations Committees

The institutions which are members of each Credit Derivatives Determinations Committee owe no duty to the Noteholders and have the ability to make determinations that may materially affect the Noteholders, such as the occurrence of a Credit Event. A Credit Derivatives Determinations Committee may be able to make determinations without action or knowledge of the Noteholders.

Noteholders may have no role in the composition of any Credit Derivatives Determinations Committee. Separate criteria apply with respect to the selection of dealer and non-dealer institutions to serve on a Credit Derivatives Determinations Committee and the Noteholders may have no role in establishing such criteria. In addition, the composition of a Credit Derivatives Determinations Committee will change from time to time in accordance with the DC Rules, as the term of an institution may expire or an institution may be required to be replaced. The Noteholders may have no control over the process for selecting institutions to participate on a Credit Derivatives Determinations Committee and, to the extent provided for in the CLNs, will be subject to the determinations made by such selected institutions in accordance with the DC Rules.

Noteholders may have no recourse against either the institutions serving on a Credit Derivatives Determinations Committee or the external reviewers. Institutions serving on a Credit Derivatives Determinations Committee and the external reviewers, among others, disclaim any duty of care or liability arising in connection with the performance of duties or the provision of advice under the DC Rules, except

in the case of gross negligence, fraud or wilful misconduct. Furthermore, the institutions on the Credit Derivatives Determinations Committee do not owe any duty to the Noteholders and the Noteholders will be prevented from pursuing claims with respect to actions taken by such institutions under the DC Rules.

Noteholders should also be aware that institutions serving on a Credit Derivatives Determinations Committee have no duty to research or verify the veracity of information on which a specific determination is based. In addition, a Credit Derivatives Determinations Committee is not obligated to follow previous determinations and, therefore, could reach a conflicting determination on a similar set of facts. If the Issuer, the Guarantor or the Calculation Agent or any of their respective affiliates serve as a member of a Credit Derivatives Determinations Committee at any time, then they will act without regard to the interests of the Noteholders.

Noteholders are responsible for obtaining information relating to deliberations of a Credit Derivatives Determinations Committee. Notices of questions referred to a Credit Derivatives Determinations Committee, meetings held to deliberate such questions and the results of binding votes will be published on the ISDA website and neither the Issuer, the Calculation Agent nor any of their respective affiliates shall be obliged to inform the Noteholders of such information (other than as expressly provided in respect of the CLNs). Failure by the Noteholders to be aware of information relating to deliberations of a Credit Derivatives Determinations Committee will have no effect under the CLNs and Noteholders are solely responsible for obtaining any such information.

Investors should read the Credit Derivatives Determinations Committees Rules as amended from time to time as set out on the ISDA website, <https://www.cdsdeterminationscommittees.org/dc-rules/> and reach their own views prior to making any investment decisions. Investors should however note that the DC Rules may subsequently be amended from time to time without the consent or input of the Noteholders and the powers of the Credit Derivatives Determinations Committee may be expanded or modified as a result.

Multiple Auctions Following Restructuring Credit Event

Where multiple concurrent Auctions are held following a Restructuring Credit Event, the Issuer may be entitled to select a particular Auction for the purposes of settlement of the CLNs. The Issuer will make such election acting in its own interests and not in the interests of the Noteholders.

The Auction Final Price or Weighted Average Final Price may be based on one or more obligations of the Reference Entity having a final maturity date different from that of the Restructured Bond or Loan or any specified Reference Obligation- which may affect the Auction Settlement Amount determined in respect of the CLNs.

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.

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 described under " <i>Risk Factors</i> " above.
Arranger	Nedbank Limited.
Dealers	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 Conditions of the Notes as completed by the relevant Final Terms or, as the case may be, Drawdown Prospectus.</p> <p>The Issuer may agree with any Dealer that Exempt Notes may be issued with terms not contemplated by the 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 the Financial Surveillance Department of the South African Reserve Bank and, in relation to Subordinated Notes the proceeds of which are intended to rank as Additional Tier 1 Capital or Tier 2 Capital, as the case may be, the Prudential Authority.
Clearing Systems	Euroclear, Clearstream, Luxembourg, 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	<p>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").</p> <p>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").</p> <p>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 "<i>Summary of Provisions Relating to the Notes While in Global Form</i>".</p>
Currencies	<p>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.</p>
Status of the Notes	<p>Notes may be issued on a subordinated or unsubordinated basis, as specified in the relevant Final Terms.</p>
Status of the Unsubordinated Notes	<p>The Unsubordinated Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (<i>Negative Pledge</i>)) unsecured obligations of the Issuer, all as described in Condition 5(a) (<i>Status – Status of the Unsubordinated Notes</i>) and the relevant Final Terms.</p>
Status of the Credit Linked Notes	<p>The Credit Linked Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 6 (<i>Negative Pledge</i>)) unsecured obligations of the Issuer, all as described in Condition 5(a) (<i>Status – Status of the Unsubordinated Notes</i>). 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 "<i>Additional Terms and Conditions for Credit Linked Notes</i>") 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.</p>
Status of the Tier 2 Notes	<p>The Tier 2 Notes constitute direct, unsecured and, in accordance with Condition 5(b) (<i>Status – Status of the Subordinated Notes</i>) of the Conditions, subordinated obligations of the Issuer and rank <i>pari passu</i> without any preference among themselves and (save for those that have been accorded by law preferential rights) at least <i>pari passu</i> with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) <i>pari passu</i> with the Tier 2 Notes.</p>

Status of the Additional Tier 1 Notes	<p>The Additional Tier 1 Notes constitute direct, unsecured and, in accordance with Condition 5(c) (<i>Status – Status of the Additional Tier 1 Notes</i>) of the Conditions, subordinated obligations of the Issuer and rank <i>pari passu</i> without any preference among themselves and (save for those that have been accorded by law preferential rights) at least <i>pari passu</i> with all other claims of creditors of the Issuer which rank or are expressed to rank (and which are entitled to rank) <i>pari passu</i> with the Additional Tier 1 Notes.</p>
Subordinated Notes and Capital Regulations	<p>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 (and such Additional Conditions (if any) as are prescribed by the Prudential 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 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 Prudential 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, as amended (the "FSMA") by the Issuer.</p>
Redemption	<p>Subject as described in "Maturities" above, Notes may be redeemed 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 Prudential 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>), and otherwise in accordance with the conditions (if any) imposed by the Prudential Authority in writing. The approval of the Prudential Authority is not required to redeem any Tier 2 Note on its Maturity Date.</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.
Optional Redemption	Subject as described in "Redemption" above, Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) with, in the case of Subordinated Notes, the prior written approval of the Prudential 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>).
Tax Redemption	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>).
Redemption for Regulatory Reasons	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 Prudential 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.
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 must elect not 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 " <i>Maturities</i> " 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	All payments in respect of Notes will be made free and clear of withholding taxes of South Africa, unless the withholding is required by law. In that event, the Issuer will (subject 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.
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 (" Deed of Covenant ") dated 15 December 2020, a copy of which will be available for inspection at the specified office of the Fiscal Agent.
Ratings	The Notes to be issued under the Programme may be rated by Moody's Investors Service South Africa Proprietary Limited and Standard & Poor Global Inc. (the parent company to Standard & Poor's Credit Market Services Europe Limited (incorporated in England)).

Moody's Investors Service South Africa Proprietary Limited and Standard & Poor Global Inc. are not established in the EEA or in the UK and are not registered under the CRA Regulation.

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 or the United Kingdom and registered under the CRA Regulation 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.

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 EEA, the UK and South Africa, see "*Subscription and Sale*" and "*Transfer Restrictions*" below.

Additional Tier 1 Notes are not intended to be sold or otherwise made available and should not be sold or otherwise made available to retail clients in the EEA or in the UK, as defined in the rules set out in MiFID II.

Use of proceeds

The net proceeds of the issue of each Tranche of Unsubordinated 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, for example the funding of Eligible Projects, this will be stated in the applicable Final Terms. Subject to the applicable Capital Regulations, the proceeds of the issue of a Series of Additional Tier 1 Notes will rank as Additional Tier 1 Capital and the proceeds of the issue of a Series of Tier 2 Notes will rank as Tier 2 Capital, as specified in the applicable Final Terms.

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 and the reasons for the issuance and its impact on the Issuer. 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 (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 and/or the United Kingdom nor offered in the European Economic Area and/or the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Regulation (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 December 2020 (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 December 2020 (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 Prudential 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 Prudential Authority for the issue of that Series of Subordinated Notes, as specified in a Drawdown Prospectus or a supplement to this Prospectus;

"**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(11)(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(11)(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 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, the Financial Sector Regulation Act and/or any statutory bail-in option under South African law) then in effect in South Africa, (ii) regulations (including the Regulations Relating to Banks) then in effect in South Africa, (iii) requirements, circulars, guidance notes (including, without limitation,

Guidance Note 06/2017) and directives then in effect in South Africa issued by the Prudential Authority from time to time which relate to capital adequacy and/or which provide for the implementation of the Basel III Accord 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;

"Conversion" means, in relation to any Other Additional Tier 1 Capital Instruments or any Other Tier 2 Capital Instruments, as applicable, the provisions prescribed by the Tier 2 Capital Regulations or the Additional Tier 1 Capital Regulations, as applicable, that require that, upon the occurrence of the relevant Trigger Event (at the discretion of the Prudential Authority), all or a portion of such Other Additional Tier 1 Capital Instruments or such Other Tier 2 Capital Instruments, as applicable, be "converted" into "common equity" (that is, ordinary shares) (as more fully described in the Amended and Updated Programme Memorandum, dated 8 February 2019, relating to the Issuer's ZAR75,000,000,000 Domestic Medium Term Note Programme) and **"Converted"** shall be construed accordingly;

"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;

"**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 shares 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, as applicable, 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*); and
- (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;

"Financial Sector Regulation Act" means the South African Financial Sector Regulation Act, 2017, as amended from time to time;

"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 06/2017" means Guidance Note 06/2017 headed *"Loss absorbency requirements for Additional Tier 1 and Tier 2 capital"*, dated 14 August 2017, issued by the Prudential Authority in terms of section 6 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 Accrual Period" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date;

"Interest Amount" means, 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;

"Interest Period Date" means each Interest Payment Date unless otherwise specified in the Final Terms;

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

"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 and, if specified in the relevant Final Terms, as supplemented by the ISDA Benchmarks Supplement) as published by the International Swaps and Derivatives Association, Inc.);

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

"Other Additional Tier 1 Capital Instruments" means any shares and/or instruments (other than the Additional Tier 1 Notes) issued by the Issuer 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 any shares and/or instruments (other than the Tier 2 Notes) issued by the Issuer 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 Economic Area 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*);

"Prudential Authority" means the Prudential Authority established in terms of section 32 of the Financial Sector Regulation Act or such other governmental authority (if any) in South Africa as will have the responsibility for making decisions relating to the declaration of a bank as being non-viable;

"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/redemption process 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/redemption process 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;

"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 published as Government Notice No. 297 in *Government Gazette* No. 40002, dated 20 May 2016, 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 Prudential 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 that Series of Subordinated Notes;

"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 Prudential 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 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;

"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 (whether subordinated or unsubordinated) are (or are expressed to be) subordinated to the claims of other creditors of the Issuer *other than*:
 - 1. in relation to the claims of Additional Tier 1 Noteholders, all creditors of the Issuer whose claims rank or are expressed to rank (and which 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 rank or are expressed to rank (and which 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 Regulation (EU) 2017/1129 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;

"Statutory Loss Absorption Regime" means any Capital Regulations implemented in South Africa which provide the Prudential Authority with (i) special resolution powers in respect of systemically-important and other financial institutions and/or (ii) the power to implement loss absorption measures in respect of capital instruments (such as Additional Tier 1 Capital Notes and Tier 2 Capital Notes) in accordance with Basel III (being the set of minimum global standards for banks issued by the Basel Committee on Banking Supervision in December 2010 and revised in July 2011, or its successor or replacement standard) and which Capital Regulations so implemented:

- (a) require the capital instruments to be "written off" upon the occurrence of the relevant "trigger event"; or
- (b) require the capital instruments to be "converted" to the most subordinated form of equity of the Issuer or the Controlling Company, as applicable, upon the occurrence of the relevant "trigger event"; or
- (c) otherwise require the capital instruments to absorb loss before taxpayers or ordinary depositors are exposed to loss;

"Subordinated Debt" means, in relation to Additional Tier 1 Notes, any subordinated term debt issued by the Issuer which ranks or is expressed to rank (and which is entitled to rank) senior to the Additional Tier 1 Notes and/or the proceeds of which qualify (or are deemed under the Capital Regulations to qualify) 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(12) 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(12) (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 is 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(a) (*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" means, in relation to a Series of Subordinated Notes (and/or any Other Additional Tier 1 Capital Instruments and/or any Other Tier 2 Capital Instruments, as applicable), the provisions prescribed by the Tier 2 Capital Regulations or the Additional Tier 1 Capital Regulations, as applicable, that require that, upon the occurrence of the relevant Trigger Event (at the discretion of the Prudential Authority), all or part of the accrued interest and principal in respect of such Series of Subordinated Notes (and/or such Other Additional Tier 1 Capital Instruments and/or such Other Tier 2 Capital Instruments, as applicable) be written off (in whole or in part) and **"Written Off"** shall be construed accordingly; and

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

(a) **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 Prudential Authority in respect of that Series of Subordinated Notes). The Issuer will specify in the applicable Final Terms whether any issue of Subordinated 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 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.
- (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 Prudential 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***

(1) 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, and the Reference Rate specified in the applicable Final Terms is not SONIA or SOFR, 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) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date, where:

(A) one rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and

(B) the other rate shall be determined as if the relevant Interest Period were the period of time for which rates are available next longer than the length of the relevant Interest Period;

provided, however, that if no rate is available for a period of time next shorter or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate;

- (iii) 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;
 - (iv) 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
 - (v) 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.
- (2) Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and the Reference Rate specified in the applicable Final Terms is SONIA or SOFR:
- (A) where the Calculation Method in respect of the relevant Series of Floating Rate Notes is specified in the applicable Final Terms as being "Compounded Daily", the Rate of Interest for each Interest Accrual Period will, subject as provided below, be the Compounded Daily Reference Rate plus or minus (as indicated in the applicable Final Terms) the Margin, all as determined by the Calculation Agent, where:

"Compounded Daily Reference Rate" means, with respect to an Interest Accrual Period, the rate of return of a daily compound interest investment in the Specified Currency (with the applicable Reference Rate (as indicated in the applicable Final Terms and further provided for below) as the reference rate for the calculation of interest) and will be calculated by the Calculation Agent (or such other party responsible for the calculation of the Rate of Interest, as specified in the applicable Final Terms) on the Interest Determination Date, as follows, and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards:

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{r_i - p_{BD} \times n_i}{D} \right) - 1 \right] \times \frac{D}{d}$$

where:

"Business Day" or **"BD"**, in this Condition has the meaning set out in Condition 2(a), save that where "SOFR" is specified as the Reference Rate, it means a U.S. Government Securities Business Day;

"D" is the number specified in the applicable Final Terms;

"d" is the number of calendar days in the relevant Interest Accrual Period;

"d₀" is the number of Business Days in the relevant Interest Accrual Period;

"i" is a series of whole numbers from one to d₀, each representing the relevant Business Day in chronological order from, and including, the first Business Day in the relevant Interest Accrual Period;

"Lock-out Period" means the period from, and including, the day following the Interest Determination Date to, but excluding, the corresponding Interest Period Date;

"n_i", for any Business Day "i", means the number of calendar days from and including such Business Day "i" up to but excluding the following Business Day;

"New York Fed's Website" means the website of the Federal Reserve Bank of New York currently at <http://www.newyorkfed.org>, or any successor website of the Federal Reserve Bank of New York;

"Observation Period" means, in respect of an Interest Accrual Period, the period from and including the date falling "p" Business Days prior to the first day of the relevant Interest Accrual Period and ending on, but excluding, the date which is "p" Business Days prior to the Interest Period Date for such Interest Period (or the date falling "p" Business Days prior to such earlier date, if any, on which the Notes become due and payable);

"p" means, for any Interest Accrual Period:

- a. where "Lag" is specified as the Observation Method in the applicable Final Terms, the number of Business Days included in the Observation Look-back Period specified in the applicable Final Terms (or, if no such number is specified five Business Days);
- b. where "Lock-out" is specified as the Observation Method in the applicable Final Terms, zero;

"r" means:

- a. where in the applicable Final Terms "SONIA" is specified as the Reference Rate and "Lag" is specified as the Observation Method, in respect of any Business Day, the SONIA rate in respect of such Business Day;
- b. where in the applicable Final Terms "SOFR" is specified as the Reference Rate and "Lag" is specified as the Observation Method, in respect of any Business Day, the SOFR in respect of such Business Day;
- c. where in the applicable Final Terms "SONIA" is specified as the Reference Rate and "Lock-out" is specified as the Observation Method:
 1. in respect of any Business Day "i" that is a Reference Day, the SONIA rate in respect of the Business Day immediately preceding such Reference Day, and

2. in respect of any Business Day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the SONIA rate in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Accrual Period (such last Reference Day coinciding with the Interest Determination Date); and
- d. where in the applicable Final Terms "SOFR" is specified as the Reference Rate and "Lock-out" is specified as the Observation Method:
1. in respect of any Business Day "i" that is a Reference Day, the SOFR in respect of the Business Day immediately preceding such Reference Day, and
 2. in respect of any Business Day "i" that is not a Reference Day (being a Business Day in the Lock-out Period), the SOFR in respect of the Business Day immediately preceding the last Reference Day of the relevant Interest Accrual Period (such last Reference Day coinciding with the Interest Determination Date);

"Reference Day" means each Business Day in the relevant Interest Accrual Period, other than any Business Day in the Lock-out Period;

"ri-pBD" means the applicable Reference Rate as set out in the definition of "r" above for, where "Lag" is specified as the Observation Method in the applicable Final Terms, the Business Day (being a Business Day falling in the relevant Observation Period) falling "p" Business Days prior to the relevant Business Day "i" or, where "Lock-out" is specified as the Observation Method in the applicable Final Terms, the relevant Business Day "i";

"SOFR" means, in respect of any Business Day, a reference rate equal to the daily Secured Overnight Financing Rate as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate) on the New York Fed's Website, in each case on or about 5:00 p.m. (New York City Time) on the Business Day immediately following such Business Day;

"SONIA" means, in respect of any Business Day, a reference rate equal to the daily Sterling Overnight Index Average rate for such Business Day as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors in each case on the Business Day immediately following such Business Day; and

"U.S. Government Securities Business Day" means any day except for a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

- (B) where the Calculation Method in respect of the relevant Series of Floating Rate Notes is specified in the applicable Final Terms as being "Weighted Average", the Rate of Interest for each Interest Accrual Period will, subject to as provided below, be the Weighted Average Reference Rate (as defined below) plus or minus (as indicated in the applicable Final Terms) the Margin and will be calculated by the Calculation Agent on the Interest Determination Date and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards, where:

"Lock-out Period" has the meaning set out in paragraph (A) above;

"Observation Period" has the meaning set out in paragraph (A) above;

"**Reference Day**" has the meaning set out in paragraph (A) above; and

"**Weighted Average Reference Rate**" means:

- a. where "Lag" is specified as the Observation Method in the applicable Final Terms, the arithmetic mean of the Reference Rate in effect for each calendar day during the relevant Observation Period, calculated by multiplying each relevant Reference Rate by the number of calendar days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Observation Period. For these purposes the Reference Rate in effect for any calendar day which is not a Business Day shall be deemed to be the Reference Rate in effect for the Business Day immediately preceding such calendar day; and
- b. where "Lock-out" is specified as the Observation Method in the applicable Final Terms, the arithmetic mean of the Reference Rate in effect for each calendar day during the relevant Interest Accrual Period, calculated by multiplying each relevant Reference Rate by the number of days such rate is in effect, determining the sum of such products and dividing such sum by the number of calendar days in the relevant Interest Accrual Period, provided however that for any calendar day of such Interest Accrual Period falling in the Lock-out Period, the relevant Reference Rate for each day during that Lock-out Period will be deemed to be the Reference Rate in effect for the Reference Day immediately preceding the first day of such Lock-out Period. For these purposes the Reference Rate in effect for any calendar day which is not a Business Day shall, subject to the proviso above, be deemed to be the Reference Rate in effect for the Business Day immediately preceding such calendar day.

(C) where "**SONIA**" is specified as the Reference Rate in the applicable Final Terms, if, in respect of any Business Day, SONIA (as defined in paragraph (A) above) is not available on the Relevant Screen Page or has not otherwise been published by the relevant authorised distributors, such Reference Rate shall be:

- (1) (i) the Bank of England's Bank Rate (the "**Bank Rate**") prevailing at close of business on the relevant Business Day; plus (ii) the mean of the spread of SONIA to the Bank Rate over the previous five days on which SONIA has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Bank Rate; or
- (2) subject to Condition 9(j), if such Bank Rate is not available, the SONIA rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding Business Day on which the SONIA rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors),

and in each case, "r" shall be interpreted accordingly.

(D) where "**SOFR**" is specified as the Reference Rate in the applicable Final Terms, if, in respect of any Business Day, the Reference Rate is not available, such Reference Rate shall be:

- (1) if a SOFR Index Cessation Event and SOFR Index Cessation Date have not both occurred, the SOFR (as described in paragraph (A) above) for the first preceding Business Day on which the SOFR was published on the New York Fed's Website (as defined in paragraph (B) above and "r" shall be interpreted accordingly);

- (2) if a SOFR Index Cessation Event and SOFR Index Cessation Date have both occurred, the rate that was recommended as the replacement for the SOFR by the Federal Reserve Board and/or the Federal Reserve Bank of New York or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a replacement for the SOFR (which rate may be produced by the Federal Reserve Bank of New York or other designated administrator, and which rate may include any adjustments or spreads) or, if no such rate has been recommended within one Business Day of the SOFR Index Cessation Date, the Overnight Bank Funding Rate (published on the New York Fed's Website at or around 5:00 p.m. (New York time) on the relevant New York City Banking Day) for any SOFR Reset Date falling on or after the SOFR Index Cessation Date (it being understood that the Overnight Bank Funding Rate for any such SOFR Reset Date will be for trades made on the related SOFR Determination Date); or
- (3) if the Calculation Agent is required to use the Overnight Bank Funding Rate in paragraph (2) above and an OBFR Index Cessation Event and an OBFR Index Cessation Date have both occurred, then, for any SOFR Reset Date falling on or after the later of the SOFR Index Cessation Date and the OBFR Index Cessation Date, the short-term interest rate target set by the Federal Open Market Committee, as published on the Federal Reserve's Website and as prevailing on such SOFR Reset Date, or if the Federal Open Market Committee has not set a single rate, the mid-point of the short-term interest rate target range set by the Federal Open Market Committee, as published on the Federal Reserve's Website and as prevailing on such SOFR Reset Date (calculated as the arithmetic average of the upper bound of the target range and the lower bound of the target range),

and in each case "r" shall be interpreted accordingly.

For the purposes of this paragraph:

"Business Day" has the meaning given in paragraph (A) above;

"New York Fed's Website" has the meaning given in paragraph (A) above;

"New York City Banking Day" means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City;

"OBFR Index Cessation Event" means the occurrence of one or more of the following events:

- (A) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the Overnight Bank Funding Rate) announcing that it has ceased, or will cease, to publish or provide the Overnight Bank Funding Rate permanently or indefinitely, **provided that**, at that time, there is no successor administrator that will continue to publish or provide an Overnight Bank Funding Rate; or
- (B) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the Overnight Bank Funding Rate) has ceased, or will cease, to provide the Overnight Bank Funding Rate permanently or indefinitely, **provided that**, at that time, there is no successor administrator that will continue to publish or provide the Overnight Bank Funding Rate;

"OBFR Index Cessation Date" means, in respect of an OBFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the Overnight Bank Funding Rate), ceases to publish the Overnight Bank Funding Rate, or the date as of which the Overnight Bank Funding Rate may no longer be used;

"SOFR Determination Date" means, with respect to any SOFR Reset Date and with respect to (x) the Secured Overnight Financing Rate and (y) the Overnight Bank Funding Rate: (i) in the case of (x), the first Business Day immediately preceding such SOFR Reset Date; and (ii) in the case of (y), the first New York City Banking Day immediately preceding such SOFR Reset Date;

"SOFR Index Cessation Date" means, in respect of a SOFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the Secured Overnight Financing Rate), ceases to publish the Secured Overnight Financing Rate, or the date as of which the Secured Overnight Financing Rate may no longer be used;

"SOFR Index Cessation Event" means the occurrence of one or more of the following events:

- (A) a public statement by the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) announcing that it has ceased, or will cease, to publish or provide the Secured Overnight Financing Rate permanently or indefinitely, **provided that**, at that time, there is no successor administrator that will continue to publish or provide a Secured Overnight Financing Rate; or
- (B) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or a successor administrator of the Secured Overnight Financing Rate) has ceased, or will cease, to provide the Secured Overnight Financing Rate permanently or indefinitely, **provided that**, at that time, there is no successor administrator that will continue to publish or provide the Secured Overnight Financing Rate; and

"SOFR Reset Date" means each Business Day during the relevant Interest Period, provided however that if both a SOFR Index Cessation Event and a SOFR Index Cessation Date have occurred, it shall mean: (i) in respect of the period from, and including, the first day of the Interest Accrual Period in which the SOFR Index Cessation Date falls (such Interest Accrual Period, the **"Affected Interest Period"**) to, but excluding, the SOFR Index Cessation Date (such period, the **"Partial SOFR Period"**), each Business Day during the Partial SOFR Period; (ii) in respect of the period from, and including, the SOFR Index Cessation Date to, but excluding, the Interest Period Date in respect of the Affected Interest Period (such period, the **"Partial Fallback Period"**), each New York City Banking Day during the Partial Fallback Period; and (iii) in respect of each Interest Accrual Period subsequent to the Affected Interest Period, each New York City Banking Day during the relevant Interest Accrual Period.

If the relevant Series of Notes become due and payable in accordance with Condition 15, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in the applicable Final Terms, be deemed to be the date on which such Notes became due and payable and the Rate of Interest on such Notes shall, for so long as any such Note remains outstanding, be that determined on such date.

(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;
- (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; and
- (iv) if Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Calculation Agent by straight-line linear interpolation by reference to two rates based on the relevant Floating Rate Option, where:
 - (A) one rate shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period; and
 - (B) the other rate shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period

provided, however, that if there is no rate available for a period of time next shorter than the length of the relevant Interest Period or, as the case may be, next longer than the length of the relevant Interest Period, then the Calculation Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

(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 or Interest Accrual Period (as applicable), calculate the Interest Amount payable in respect of each Note for such Interest Period or Interest Accrual Period (as applicable). The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period or Interest Accrual Period (as applicable) 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.

(j) ***Benchmark Discontinuation***

Subject, in the case of Notes linked to SONIA or SOFR, to the prior operation of Condition 9(d), if a Benchmark Event occurs in relation to the Reference Rate when the Rate of Interest (or any component part thereof) for any Interest Period remains to be determined by reference to such Reference Rate, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with this Condition 9(j)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 9(j)(cc)) and any Benchmark Amendments (in accordance with Condition 9(j)(dd)).

In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Fiscal Agent, the other Paying Agents or the Noteholders for any determination made by it pursuant to this Condition 9(j).

(aa) If (i) the Issuer is unable to appoint an Independent Adviser or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 9(j) prior to the relevant Interest Determination Date, the Reference Rate applicable to the immediate following Interest Period shall be the Reference Rate applicable as at the last preceding Interest Determination Date. If there has not been a first Interest Payment Date, the Reference Rate shall be the Reference Rate applicable to the first Interest Period. For the avoidance of doubt, any adjustment pursuant to this Condition 9(j) shall apply to the immediately following Interest Period only. Any subsequent Interest Period may be subject to the subsequent operation of this Condition 9(j).

(bb) If the Independent Adviser determines in its discretion that:

(A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 9(j)(cc)) subsequently be used in place of the Reference Rate to determine the Rate of Interest for the immediately following Interest Period and all following Interest Periods, subject to the subsequent operation of

this Condition 9(j) in the event of a further Benchmark Event affecting the Successor Rate; or

- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 9(j)(cc)) subsequently be used in place of the Reference Rate to determine the Rate of Interest for the immediately following Interest Period and all following Interest Periods, subject to the subsequent operation of this Condition 9(j) in the event of a further Benchmark Event affecting the Alternative Rate.
- (cc) If the Independent Adviser determines in its discretion (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall apply to the Successor Rate or the Alternative Rate (as the case may be).
- (dd) If any relevant Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 9(j) and the Independent Adviser determines in its discretion (i) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Issuer shall, following consultation with the Calculation Agent (or the person specified in the applicable Final Terms as the party responsible for calculating the Rate of Interest and the Interest Amount(s)), subject to giving notice thereof in accordance with Condition 9(j)(ee), without any requirement for the consent or approval of relevant Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice (and for the avoidance of doubt, the Fiscal Agent shall, at the direction and expense of the Issuer, consent to and effect such consequential amendments to the Agency Agreement and these Conditions as may be required in order to give effect to this Condition 9(j)).
- (ee) Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 9(j) will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 21 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.
- (ff) No later than notifying the Fiscal Agent of the same, the Issuer shall deliver to Fiscal Agent a certificate signed by two authorised signatories of the Issuer:
 - (A) confirming (x) that a Benchmark Event has occurred, (y) the relevant Successor Rate, or, as the case may be, the relevant Alternative Rate and, (z) where applicable, any relevant Adjustment Spread and/or the specific terms of any relevant Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 9(j); and
 - (B) certifying that the relevant Benchmark Amendments are necessary to ensure the proper operation of such relevant Successor Rate, Alternative Rate and/or Adjustment Spread.
- (gg) The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of such Successor Rate or Alternative Rate and such Adjustment Spread (if any) and such Benchmark Amendments (if any)) be binding on the Issuer, the Fiscal Agent, the Calculation Agent, the other Paying Agents and the Noteholders.
- (hh) As used in this Condition 9(j):

"**Adjustment Spread**" means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent

Adviser determines is required to be applied to the relevant Successor Rate or the relevant Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement of the Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (C) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (D) (if no such recommendation has been made, or in the case of an Alternative Rate), the Independent Adviser, determines is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Reference Rate; or
- (E) (if no such recommendation has been made, or in the case of an Alternative Rate) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (F) (if the Independent Adviser determines that no such industry standard is recognised or acknowledged) the Independent Adviser determines to be appropriate.

"Alternative Rate" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with this Condition 9(j) is customary in market usage in the international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) in the Specified Currency.

"Benchmark Event" means:

- (A) the relevant Reference Rate has ceased to be published on the Relevant Screen Page as a result of such benchmark ceasing to be calculated or administered; or
- (B) a public statement by the administrator of the relevant Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of such Reference Rate) it has ceased publishing such Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the **"Specified Future Date"**); or
- (C) a public statement by the supervisor of the administrator of the relevant Reference Rate that such Reference Rate has been or will, by a specified future date (the **"Specified Future Date"**), be permanently or indefinitely discontinued; or
- (D) a public statement by the supervisor of the administrator of the relevant Reference Rate that means that such Reference Rate will, by a specified future date (the **"Specified Future Date"**), be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes; or
- (E) a public statement by the supervisor of the administrator of the relevant Reference Rate (as applicable) that, in the view of such supervisor, such Reference Rate is no longer representative of an underlying market; or
- (F) it has or will, by a specified date within the following six months, become unlawful for the Calculation Agent to calculate any payments due to be made to any Noteholder using the relevant Reference Rate (as applicable) (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the sub-paragraphs above, where the relevant Benchmark Event is a public statement within sub-paragraphs (B), (C) or (D) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed occur until the date falling six months prior to such Specified Future Date.

"Benchmark Amendments" has the meaning given to it in Condition 9(j)(dd).

"Independent Adviser" means an independent financial institution of international repute or other independent financial adviser experienced in the international capital markets, in each case appointed by the Issuer at its own expense.

"Relevant Nominating Body" means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"Successor Rate" means a successor to or replacement of the Reference Rate which is formally recommended by any Relevant Nominating Body.

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 Prudential 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:

- (1) 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
- (2) 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 Prudential 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 Prudential 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 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 Prudential 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 Prudential 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 Prudential 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 Prudential 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 Prudential 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 Prudential 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 Prudential Authority no longer so requires) as confirmed by the Prudential 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 Prudential 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 per cent. 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 Prudential Authority; ***provided that***, as a minimum, the aforesaid "trigger event" shall be the earlier of:
 - (a) a decision by the Prudential Authority that a write-off, without which the Issuer would become non-viable, is necessary; or
 - (b) the decision by the Prudential Authority to make a public sector injection of capital, or equivalent support in respect of the Issuer, without which the Issuer would become non-viable.

- (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 Prudential Authority; or
- (b) the CET 1 Ratio is equal to or falls below 5.875 per cent. 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 Prudential Authority that a write-off, without which the Issuer would become non-viable, is necessary; or
- (b) the decision by the Prudential Authority to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable.

- (iii) The Prudential Authority will notify the Issuer in writing once the Prudential Authority determines that the Trigger Event has occurred. Notwithstanding the occurrence of the Trigger Event, the Prudential Authority has a discretion to (i) take action and allow the Write-Off to occur in order to effect an increase the CET 1 Ratio such that the Issuer will be deemed by the Prudential Authority to be viable again or (ii) take no action and not require the Write-Off.

- (iv) The Prudential Authority will also determine whether, on the occurrence of the Trigger Event (at the discretion of the Prudential Authority), the entire outstanding principal amount of a Series of Subordinated Notes ("**Total Principal Amount**") or a portion of the outstanding principal amount of that Series of Subordinated Notes ("**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 CET 1 Ratio such that the Issuer will be deemed by the Prudential Authority to be viable again).

- (v) If following the occurrence of the Trigger Event the Prudential Authority notifies the Issuer that a Series of Subordinated Notes (and the Unpaid Amount in respect of such Series of Subordinated Notes) shall be Written-Off (at the discretion of the Prudential Authority), 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;

- (f) 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.

(d) ***Disapplication of the Non-Viability Loss Absorption Condition***

- (i) *Application:* This Condition applies only to Subordinated Notes.
- (ii) *Statutory Loss Absorption Regime:* If a Statutory Loss Absorption Regime is implemented in South Africa and such Statutory Loss Absorption Regime:
 - (A) is not applied mandatorily to the Subordinated Notes; and
 - (B) provides that the Issuer may, or otherwise allows the Issuer to, or does not restrict the ability of the Issuer to, elect to apply such Statutory Loss Absorption Regime to the Subordinated Notes;

then the Issuer may at any time, subject to the approval of the Prudential Authority to the extent then required, and by giving notice (the "**Amendment Notice**") to the holders of Subordinated Notes (which Amendment Notice shall be irrevocable) in accordance with Condition 21 (*Notices*), elect to apply that Statutory Loss Absorption Regime to the Subordinated Notes from the date specified in the Amendment Notice (the "**Amendment Date**"), being a date no earlier than the date on which the Statutory Loss Absorption Regime takes effect, and upon such Statutory Loss Absorption Regime applying to the Subordinated Notes on and from the Amendment Date the definition of "Trigger Event" in Condition 12(b) shall be amended accordingly (such Issuer option to apply the Statutory Loss Absorption Regime to the Subordinated Notes, being the "**Amendment Option**") **provided that:**

- (A) if the Issuer does not exercise the Amendment Option, and, this non-exercise (x) results in the proceeds of the issue of the Subordinated Notes being fully or partially excluded from the Tier 2 Capital or the Additional Tier 1 Capital (as applicable) of the Issuer on a solo and/or consolidated basis and (y) is the sole reason for such exclusion, then such exclusion shall not constitute a Regulatory Event (although this limited exclusion is without prejudice to any other rights the Issuer may have if a different event occurs or has occurred which is deemed to be a Regulatory Event); and
 - (B) notwithstanding (ii)(A) above, any mandatory application of the Statutory Loss Absorption Regime to the Subordinated Notes under applicable law which results in the proceeds of the issue of the Subordinated Notes being fully or partially excluded from the Tier 2 Capital or the Additional Tier 1 Capital (as applicable) of the Issuer on a solo and/or consolidated basis shall constitute a Regulatory Event under these Conditions unless such mandatory application of the Statutory Loss Absorption Regime would not have resulted in the proceeds of the issue of the Tier 2 Notes or the Additional Tier 1 Notes (as applicable) being so excluded from the Tier 2 Capital or the Additional Tier 1 Capital (as applicable) of the Issuer had the Issuer exercised its Amendment Option.
- (iii) *Automatic disapplication of Non-Viability Loss Absorption Condition.*

If the Statutory Loss Absorption Regime is applied mandatorily to the Subordinated Notes under applicable law, the provision of Condition 12(b) will (only to the extent required by the Statutory Loss Absorption Regime) cease to apply and the Subordinated Notes will be subject to such minimum requirements of the Statutory Loss Absorption Regime required to ensure that the proceeds of the issue of the Subordinated Notes continue to qualify as Tier 2 Capital or Additional Tier 1 Capital (as applicable) with effect from the date on which the Statutory Loss Absorption Regime takes effect.

- (iv) *Notification etc.:* For the avoidance of doubt, if a Trigger Event occurs on or after such date on which the provisions of Condition 12(b) cease to apply, (a) the Issuer will notify holders of the Subordinated Notes in accordance with Condition 21 (*Notices*) that a Trigger Event has occurred and (b) the Prudential Authority or the Issuer, following instructions from the Prudential Authority, may take such action in respect of the Subordinated Notes as is required or permitted by such Statutory Loss Absorption Regime.

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 (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
- (iii) 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 South Africa, references in these Conditions to South Africa (and the definition of Relevant Jurisdiction) shall be construed as references to 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) if a Calculation Agent is specified in the relevant Final Terms, the Issuer shall at all times maintain a Calculation Agent; and
- (c) 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.

In addition, pursuant to Condition 9(j) (*Benchmark Discontinuation*), certain changes may be made to the interest calculation provisions of the Floating Rate Notes in the circumstances and as otherwise set out in such Conditions without the requirement for consent 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 shall prevail.

1. **General**

1.1 ***Credit Terms:***

The Final Terms shall specify:

- (a) the type of Credit Linked Notes ("CLNs"), being Single Reference Entity CLNs, Nth-to-Default CLNs or Basket CLNs;
- (b) the Settlement Method (if not Auction Settlement) and, where Auction Settlement applies, the applicable Fallback Settlement Method;
- (c) the Reference Entity or Reference Entities in respect of which a Credit Event may occur and (if applicable) the Transaction Type applicable to each Reference Entity;
- (d) the Reference Obligation(s) (if any) in respect of each Reference Entity;
- (e) the Trade Date and the Scheduled Maturity Date; and
- (f) the Reference Entity Notional Amount in respect of each Reference Entity.

1.2 ***Physical Settlement Matrix:***

Where a Transaction Type is specified in the Final Terms in respect of any Reference Entity, then the provisions of these Credit Linked Conditions shall apply with respect to such Reference Entity in accordance with the Physical Settlement Matrix as it applies to such Transaction Type, as though such Physical Settlement Matrix were set out in full in the Final Terms and as though any elections or terms applying to such Transaction Type were specified as being applicable in the Final Terms (with any such changes as the Calculation Agent deems necessary to take into account such provisions applying to Credit Linked Notes rather than a credit derivative transaction). In the event of any inconsistency between the relevant terms of the Physical Settlement Matrix and any election made in the Final Terms, the Final Terms shall prevail.

1.3 ***Additional Provisions:***

If, in accordance with the specified Transaction Type or otherwise, any Additional Provisions are applicable, these Credit Linked Conditions shall take effect subject to the provisions thereof (with any such changes as the Calculation Agent deems necessary to take into account such provisions applying to Credit Linked Notes rather than a credit derivative transaction).

1.4 ***Basket CLNs:***

If the Credit Linked Notes are Basket CLNs, then the provisions of these Credit Linked Conditions relating to redemption of Credit Linked Notes following the occurrence of an Event Determination Date, extension of maturity of Credit Linked Notes on delivery of an Extension Notice, cessation or suspension of accrual of interest or accrual and payment of interest following the Scheduled Maturity Date shall apply separately with respect to each Reference Entity and a principal amount of each Credit Linked Note corresponding to the Reference Entity Notional Amount divided by the number of Credit Linked Notes then in issue. The remaining provisions of these Credit Linked Conditions shall be construed accordingly.

2. **Redemption**

2.1 ***Redemption absent Occurrence of Event Determination Date:***

The Issuer will redeem each Credit Linked Note on the related CLN Maturity Date (as such date may be extended in accordance with the definition thereof) by payment of an amount equal to the outstanding principal amount of such Note or at such other Final Redemption Amount as is specified in the Final Terms (or, in the case of Basket CLNs, the relevant portion thereof) (together with interest, if any, payable thereon) unless the Credit Linked Notes have been previously redeemed or purchased and cancelled in full (including pursuant to Credit Linked Conditions 2.2, 2.3 or 2.4).

2.2 ***Redemption following Occurrence of Event Determination Date:***

Subject to the below, upon the occurrence of an Event Determination Date, each Credit Linked Note (or, in the case of Basket CLNs, the relevant portion thereof) will be subject to redemption:

- (a) if the applicable Settlement Method is Auction Settlement, by payment of its *pro rata* share (such amount to be apportioned *pro rata* amongst the outstanding (and in the case of Partly Paid Notes, paid up) nominal amount of each Credit Linked Note corresponding to the Calculation Amount) of the Auction Settlement Amount on the Auction Settlement Date, unless a Fallback Settlement Event occurs, in which event the Issuer shall perform its respective payment and/or delivery obligations in accordance with the applicable Fallback Settlement Method. If an Event Determination Date occurs with respect to a Reference Entity following the occurrence of a Fallback Settlement Event with respect to a prior Event Determination Date in relation to such Reference Entity and no Fallback Settlement Event occurs with respect to such subsequent Event Determination Date, the Issuer shall, if it so elects on or prior to a related Valuation Date or Delivery Date, redeem the Credit Linked Notes pursuant to the occurrence of the subsequent Event Determination Date in accordance with this Credit Linked Condition 2.2(a) by Auction Settlement;
- (b) if the applicable Settlement Method is Physical Settlement, in accordance with Credit Linked Condition 4 (*Physical Settlement*); and
- (c) if the applicable Settlement Method is Cash Settlement, by payment of its *pro rata* share (such amount to be apportioned *pro rata* amongst the outstanding (and in the case of Partly Paid Notes, paid up) nominal amount of each Credit Linked Note corresponding to the Calculation Amount) of the Cash Settlement Amount on the Cash Settlement Date.

Where the Notes are Nth-to-Default CLNs, an Event Determination Date shall not result in the redemption of the Notes pursuant to this Credit Linked Condition 2.2 unless and until an Event Determination Date has occurred with respect to the Nth Reference Entity. Where the Notes are Nth-to-Default CLNs and an Event Determination Date occurs with respect to more than one Reference Entity on the same day, the Calculation Agent shall determine in its sole discretion the order in which such Event Determination Dates occurred.

Notwithstanding the above, no Event Determination Date will occur with respect to an event, 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, a DC No Credit Event Announcement occurs with respect to that event prior to the DC Resolution Reversal Cut-off Date.

2.3 ***Redemption following a Merger Event:***

If this Credit Linked Condition 2.3 is specified as applicable in the applicable Final Terms, in the event that in the determination of the Calculation Agent a Merger Event has occurred, the Issuer may give notice to the Noteholders in accordance with General Condition 21 (*Notices*) and redeem all but not some only of the Credit Linked Notes at the CLN Early Redemption Amount (as determined by the Calculation Agent) on the Merger Event Redemption Date.

2.4 ***Additional Credit Linked Note Disruption Events:***

If the Calculation Agent determines that an Additional Credit Linked Note Disruption Event has occurred, the Issuer may redeem the Notes by giving notice to Noteholders in accordance with General Condition 21 (*Notices*). If the Notes are so redeemed, the Issuer will pay an amount to each Noteholder in respect of each Note equal to the CLN Early Redemption Amount (as determined by the Calculation Agent). Payments will be made in such manner as shall be notified to the Noteholders in accordance with General Condition 21 (*Notices*).

2.5 ***Suspension of Obligations:***

If there is a DC Credit Event Question in relation to a Reference Entity, then unless the Issuer otherwise elects by notice to the Calculation Agent and the Noteholders, from the date of such DC Credit Event Question (and notwithstanding that the relevant Credit Derivatives Determinations Committee has yet to determine whether Publicly Available Information is available or whether a Credit Event has occurred), any obligation of the Issuer to redeem any Credit Linked Note (including pursuant to Credit Linked Condition 2.2), and any related timing requirements, or to pay any amount of interest which would otherwise be due thereon shall, (or, in each case in the case of Basket CLNs, the relevant portion thereof relating to the relevant Reference Entity), be and remain suspended (without interest accruing on any such suspended sum) until the date of the relevant DC Credit Event Announcement, DC No Credit Event Announcement or DC Credit Event Question Dismissal.

During such suspension period, the Issuer shall not be obliged to, nor entitled to, take any action in connection with the settlement of the Credit Linked Notes, (or, in the case of Basket CLNs, the relevant portion thereof relating to the relevant Reference Entity). Once the relevant DC Credit Event Announcement, DC No Credit Event Announcement or DC Credit Event Question Dismissal has occurred), such suspension shall terminate and any obligations so suspended shall resume on the CLN Business Day following such public announcement by ISDA, with the Issuer and the Calculation Agent (as applicable) having the benefit of the full day notwithstanding when the suspension began. Any amount of interest so suspended shall, subject to Credit Linked Condition 3.1, become due on a date selected by the Issuer, in its sole discretion, falling not later than fifteen Business Days following such public announcement by ISDA.

For the avoidance of doubt, no interest shall accrue on any payment of interest or principal which is deferred in accordance with this Credit Linked Condition 2.5.

2.6 ***Accrued Interest on Deliverable Obligations, Valuation Obligations:***

With respect to any Credit Linked Notes for which:

- (a) **"Physical Settlement"** is specified to be the Settlement Method in the relevant Final Terms (or for which Physical Settlement is applicable as the Fallback Settlement Method), the Outstanding Principal Balance of the Deliverable Obligations being Delivered will exclude accrued but unpaid interest, unless "Include Accrued Interest" is specified in the relevant Final Terms, in which case, the Outstanding Principal Balance of the Deliverable Obligations being Delivered will include accrued but unpaid interest (as the Calculation Agent shall determine in its sole discretion);
- (b) **"Cash Settlement"** is specified to be the Settlement Method in the relevant Final Terms (or if Cash Settlement is applicable as the Fallback Settlement Method), and:
 - (i) **"Include Accrued Interest"** is specified in the relevant Final Terms, the Outstanding Principal Balance of the Reference Obligation or Valuation Obligation (as applicable) shall include accrued but unpaid interest;
 - (ii) **"Exclude Accrued Interest"** is specified in the relevant Final Terms, the Outstanding Principal Balance of the Reference Obligation or Valuation Obligation (as applicable) shall not include accrued but unpaid interest; or
 - (iii) neither **"Include Accrued Interest"** nor **"Exclude Accrued Interest"** is specified in the relevant Final Terms, the Calculation Agent shall determine based on the

then current market practice in the market of the Reference Obligation or Valuation Obligation (as applicable) whether the Outstanding Principal Balance of the Reference Obligation or Valuation Obligation (as applicable) shall include or exclude accrued but unpaid interest and, if applicable, the amount thereof; or

- (c) Credit Linked Condition 4.2 (*Partial Cash Settlement Due to Impossibility or Illegality*) is applicable, the Calculation Agent shall determine, based on the then current market practice in the market of the relevant Undeliverable Obligation, Undeliverable Loan Obligation, Undeliverable Participation or Unassignable Obligation, whether such Quotations shall include or exclude accrued but unpaid interest.

2.7 ***Miscellaneous provisions relating to Redemption:***

If the Credit Linked Notes are partially redeemed, the relevant Credit Linked Notes or, if the Credit Linked Notes are represented by a Global Note Certificate, such Global Note Certificate, shall be endorsed to reflect such partial redemption. Upon such partial redemption, the outstanding principal amount of each Note shall be reduced for all purposes (including accrual of interest thereon) accordingly.

Redemption of any Credit Linked Note in accordance with Credit Linked Condition 2, together with payment of interest, if any, due thereon shall discharge all or the relevant portion of the obligations of the Issuer in relation thereto.

Any amount payable under Credit Linked Condition 2.2 shall be rounded downwards to the nearest Sub-unit of the relevant currency.

3. **Interest**

3.1 ***Cessation of Interest Accrual:***

Upon the occurrence of an Event Determination Date in respect of any Reference Entity, interest on such Credit Linked Note (or, in the case of Basket CLNs, the relevant portion thereof) shall cease to accrue with effect from and including either:

- (a) the Interest Payment Date immediately preceding such Event Determination Date (or, in the case of an Event Determination Date occurring during the first Interest Period, the Interest Commencement Date); or
- (b) if so specified in the Final Terms, such Event Determination Date.

3.2 ***Interest following Scheduled Maturity:***

Subject to Credit Linked Condition 3.1, if 'Continuation of Interest Accrual' is specified as applicable in the Final Terms and an Extension Notice has been given, each Credit Linked Note (or, in the case of Basket CLNs, the relevant portion thereof) which is outstanding following the Scheduled Maturity Date shall continue to bear interest from (and including) the Scheduled Maturity Date to (but excluding) the related CLN Maturity Date at a rate of interest equal to either:

- (a) the rate that the Issuer would pay to an independent customer in respect of overnight deposits in the currency of the Credit Linked Notes; or
- (b) such other rate as shall be specified for such purpose in the Final Terms.

3.3 ***Interest at Redemption:***

If the Credit Linked Notes are redeemed pursuant to the General Conditions or these Credit Linked Conditions, the Scheduled Maturity Date, the CLN Maturity Date (if not the Scheduled Maturity Date), the last Auction Settlement Date, the last Cash Settlement Date or the last Delivery Date, as the case may be, shall be an Interest Payment Date in respect of each Credit Linked Note and the Issuer shall pay any interest that has accrued but which has not been previously paid in respect of each Credit Linked Note on such Interest Payment Date

4. **Physical Settlement**

4.1 ***Delivery and payment:***

If Physical Settlement applies to any Credit Linked Note, then following the occurrence of an Event Determination Date the Issuer shall, on or prior to the related Physical Settlement Date and subject to Credit Linked Condition 4.2, 4.3 and 4.6, deliver to the Calculation Agent and Noteholders a Notice of Physical Settlement on or prior to the NOPS Cut-off Date, and, on or prior to the related Physical Settlement Date, shall redeem such Credit Linked Note (or, in the case of Basket CLNs, the relevant portion thereof), respectively, by:

- (a) Delivering a *pro rata* share (the "**Entitlement**") of the Deliverable Obligations specified in the related Notice of Physical Settlement or NOPS Amendment Notice (as applicable); and
- (b) paying such Note's *pro rata* portion of the related Physical Settlement Adjustment Rounding Amount.

4.2 ***Partial Cash Settlement due to Impossibility or Illegality:***

- (a) If, due to an event beyond the control of the Issuer, it is impossible or illegal for the Issuer to Deliver or, due to an event beyond the control of the Issuer or any Noteholder, it is impossible or illegal for the relevant Noteholder to accept Delivery of any of the Deliverable Obligations (other than a Deliverable Obligation described in paragraph (d) of the definition of "Deliverable Obligation") specified in a Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, on the related Physical Settlement Date (including, without limitation, failure of the relevant clearance system or due to any law, regulation or court order, but excluding market conditions or the failure to obtain requisite consent with respect to Delivery of Loans), then on such date the Issuer shall Deliver any of the Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, for which it is possible and legal to take Delivery. If any Undeliverable Obligations are not Delivered to the relevant Noteholder on or prior to the Latest Permissible Physical Settlement Date, then Partial Cash Settlement shall apply with respect to such Undeliverable Obligations and, accordingly, the Issuer shall pay the relevant Noteholders an amount equal to the Partial Cash Settlement Amount to be apportioned *pro rata* amongst the relevant Noteholders on the Partial Cash Settlement Date.

- (b) *Partial Cash Settlement of Consent Required Loans:*

If:

- (i) "Partial Cash Settlement of Consent Required Loans" is specified as applicable in the relevant Final Terms;
- (ii) the Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable include Consent Required Loans that, due to the non-receipt of any requisite consents, are not, on the Physical Settlement Date, capable of being assigned or novated to the Noteholders or their respective designees and such consents are not obtained or deemed given by the Latest Permissible Physical Settlement Date; and
- (iii) (A) "Direct Loan Participation" is not specified as a Deliverable Obligation Characteristic in the relevant Final Terms, or (B) "Direct Loan Participation" is specified as a Deliverable Obligation Characteristic in the relevant Final Terms and the relevant participation is not effected on or before the Latest Permissible Physical Settlement Date,

Cash Settlement pursuant to this Credit Linked Condition 4.2 (*Partial Cash Settlement*) shall be deemed to apply with respect to the Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable that consist

of Consent Required Loans for which consents are not obtained or deemed given (the "**Undeliverable Loan Obligations**").

(c) *Partial Cash Settlement of Assignable Loans:*

If:

- (i) "Partial Cash Settlement of Assignable Loans" is specified as applicable in the relevant Final Terms;
- (ii) the Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable include Assignable Loans that, due to the non-receipt of any requisite consents, are not, on the Physical Settlement Date, capable of being assigned or novated to Seller or its designee and such consents are not obtained or deemed given by the Latest Permissible Physical Settlement Date; and
- (iii) (A) "Direct Loan Participation" is not specified as a Deliverable Obligation Characteristic in the relevant Final Terms, or (B) "Direct Loan Participation" is specified as a Deliverable Obligation Characteristic in the relevant Final Terms and the relevant participation is not effected on or before the Latest Permissible Physical Settlement Date,

- (d) Cash Settlement pursuant to this Credit Linked Condition 4.2 (*Partial Cash Settlement*) shall be deemed to apply to the Credit Linked Notes with respect to the Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, that consist of Assignable Loans for which consents are not obtained or deemed given (the "**Unassignable Obligations**").

(e) *Partial Cash Settlement of Participation:*

If:

- (i) "Partial Cash Settlement of Participations" is specified as applicable in the relevant Final Terms; and
- (ii) the Deliverable Obligations include Direct Loan Participations and the relevant participation is not effected on or before the Latest Permissible Physical Settlement Date,

Cash Settlement pursuant to this Credit Linked Condition 4.2 (*Partial Cash Settlement*) shall be deemed to apply with respect to the Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, that consist of Direct Loan Participations in respect of which the relevant participation is not effected (the "**Undeliverable Participations**").

4.3 *Non-Delivery of Deliverable Obligations:*

If the Issuer does not Deliver (including following the occurrence of a Hedge Disruption Event) any Deliverable Obligation specified in a Notice of Physical Settlement or NOPS Amendment Notice (as applicable) other than as a result of an event or circumstance contemplated in Credit Linked Condition 4.2 above (including following the occurrence of a Hedge Disruption Event), such failure shall not constitute an Event of Default for the purpose of the Notes and the Issuer may continue to attempt to Deliver the Deliverable Obligations that are Bonds or Loans until the Extended Physical Settlement Date. If, as at the relevant Extended Physical Settlement Date, any such Deliverable Obligations have not been Delivered, then Partial Cash Settlement shall apply with respect to such Deliverable Obligations and the Issuer shall pay to the Noteholders an amount equal to the Partial Cash Settlement Amount to be apportioned *pro rata* amongst the Noteholders on the Partial Cash Settlement Date.

4.4 ***Aggregation and Rounding:***

Where a Noteholder holds Credit Linked Notes in an aggregate nominal amount outstanding (or, in the case of Partly Paid Notes, a paid-up aggregate nominal amount outstanding) greater than the Specified Denomination, the Outstanding Principal Balance of the Deliverable Obligations to be Delivered in respect of the Credit Linked Notes of such Noteholder shall be aggregated for the purposes of this Credit Linked Condition 4. If the nominal amount of the Deliverable Obligations to be Delivered in respect of each Credit Linked Note to be redeemed pursuant to this Credit Linked Condition 4.4 on any occasion is not equal to an authorised denomination (or integral multiple thereof) of such Deliverable Obligations then the nominal amount of Deliverable Obligations to be Delivered will be rounded down to the nearest authorised denomination or multiple thereof, or, if none, to zero. In such circumstances, the Deliverable Obligations that were not capable of being Delivered shall, if and to the extent practicable, be sold by the Issuer or such other agent as may be appointed by the Issuer for such purpose and, if they are so sold, the Issuer shall make payment in respect of each Credit Linked Note in an amount equal to its *pro rata* share of the related net sale proceeds as soon as reasonably practicable following receipt thereof.

4.5 ***Delivery and Fees:***

The Delivery of any of the Deliverable Obligations pursuant to the provisions of this Credit Linked Condition 4 shall be made in such commercially reasonable manner as the Issuer shall, in its sole discretion, determine to be appropriate for such Delivery. Subject as set out in the definition of "Deliver":

- (a) any recordation, processing or similar fee reasonably incurred by the Issuer and/or any of its Affiliates and payable to the agent under a Loan in connection with an assignment or novation (where Deliverable Obligations include Assignable Loans or Consent Required Loans) shall be payable by the relevant Noteholders, and if any Stamp Tax is payable in connection with the Delivery of any Deliverable Obligations, payment thereof shall be made by the relevant Noteholders; and
- (b) any other expenses arising from the Delivery and/or transfer of the Deliverable Obligations shall be for the account of the Noteholders or the Issuer, as appropriate, determined by the Calculation Agent in accordance with then current market conventions. Delivery and/or transfer of the Deliverable Obligations shall be delayed until all expenses relating to such Delivery or transfer payable by the Noteholders have been paid to the satisfaction of the Issuer.

4.6 ***Asset Transfer Notice:***

A Noteholder will not be entitled to any of the amounts or assets specified as being due to it in this Credit Linked Condition 4.6 upon the occurrence of an Event Determination Date and delivery of a Notice of Physical Settlement unless it has presented or surrendered (as is appropriate) the relevant Credit Linked Note and delivered an Asset Transfer Notice in accordance with Credit Linked Condition 4.8 (*Delivery*) below. For so long as the Credit Linked Notes are held in any clearing system, any communication from such clearing system on behalf of the Noteholder containing the information required in an Asset Transfer Notice will be treated as an Asset Transfer Notice. For as long as the Notes are represented by a Global Note Certificate, surrender of Credit Linked Notes for such purpose will be effected by presentation of the Global Note Certificate and its endorsement to note the principal amount of Credit Linked Notes to which the relevant Asset Transfer Notice relates.

4.7 ***NOPS Amendment Notice:***

The Issuer may, from time to time, notify the Calculation Agent and Noteholders (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). A NOPS Amendment Notice shall contain a revised detailed description of each replacement Deliverable Obligation that the Issuer will Deliver to Noteholders (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 Revised Currency Rate to the relevant Replaced Deliverable Obligation Outstanding Amount. The Outstanding Amount of the Replacement Deliverable Obligations specified in any NOPS Amendment Notice in aggregate with the Outstanding Amount of the Deliverable Obligations specified in the Notice of Physical Settlement or any earlier NOPS Amendment Notice which, in each case, are not being replaced must not be greater than the Aggregate Outstanding Amount. Each such NOPS Amendment Notice must be effective on or prior to the Physical Settlement Date (determined without reference to any 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 and Noteholders prior to the relevant Delivery Date and (ii) if Asset Package Delivery is applicable, the Issuer shall on the NOPS Effective Date, or as soon as reasonably practicable thereafter (but in any case, prior to the Delivery Date), notify the Calculation Agent and Noteholders of the detailed description of the Asset Package, if any, that it intends to Deliver to Noteholders in lieu of the Prior Deliverable Obligation or Package Observable Bond, if any, specified in the Notice of Physical Settlement or NOPS Amendment Notice, as applicable, it being understood in each case that such notice shall not constitute a NOPS Amendment Notice.

4.8 ***Delivery:***

(1) *Procedure*

In relation to Notes to which Physical Settlement applies, in order to obtain Delivery of the Entitlement in respect of any Note, the relevant Noteholder must:

- (X) if such Note is represented by a Global Note Certificate, the relevant Noteholder must deliver to Euroclear or Clearstream, Luxembourg (as applicable), with a copy to the Fiscal Agent and any entity appointed by the Issuer to Deliver the Entitlement on its behalf (the "**Delivery Agent**") not later than the close of business in each place of receipt on the Cut-Off Date, a duly completed Asset Transfer Notice in compliance with the requirements of this Credit Linked Condition 4.8 (*Delivery*) and in a form acceptable to the Issuer; and
- (Y) if such Note is in definitive form, the relevant Noteholder must deliver to any Paying Agent, with a copy to the Fiscal Agent and the Delivery Agent (as defined above) not later than the close of business in each place of reception on the Cut-Off Date, a duly completed Asset Transfer Notice in compliance with the requirements of this Credit Linked Condition 4.8 (*Delivery*) and in a form acceptable to the Issuer.

For the purposes hereof, "**Cut-off Date**" means the date specified as such in the applicable Final Terms or, if not so specified, the first Business Day immediately preceding the Settlement Date.

Copies of the Asset Transfer Notice may be obtained during normal business hours from the specified office of the Fiscal Agent or any Paying Agent.

An Asset Transfer Notice may only be delivered (i) if such Note is represented by a Global Note Certificate, in such manner as is acceptable to Euroclear or Clearstream, Luxembourg, as the case may be, or (ii) if such Note is in definitive form, in writing.

If this Note is in definitive form, this Note must be delivered together with the duly completed Asset Transfer Notice.

The Asset Transfer Notice shall:

- (i) specify the name, address and contact telephone number of the relevant Noteholder and the person from whom the Issuer or Delivery Agent may obtain details for the Delivery of the Entitlement;
- (ii) specify the series number of the Notes and the number of Notes which are the subject of such notice;
- (iii) in the case of Notes represented by a Global Note Certificate, specify the nominal amount of Notes which are the subject of such notice and the number of the Noteholder'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 or before the Delivery Date;
- (iv) include an undertaking to pay all Expenses (as defined below) and, in the case of Notes represented by a Global Note Certificate, an authority to the relevant clearing system to debit a specified account of the Noteholder with the relevant clearing system in respect thereof and to pay such Expenses;
- (v) include such details as are required for delivery or Delivery of the Entitlement which may include account details and/or the name and address of any person(s) into whose name evidence of the Entitlement is to be registered and/or any bank, broker or agent to whom documents evidencing the Entitlement are to be delivered or Delivered and specify the name and number of the Noteholder's account to be credited with any cash payable by the Issuer;
- (vi) certify that the beneficial owner of each Note is not a U.S. person (as defined in the Asset Transfer Notice), the Note is not being redeemed within the United States or on behalf of a U.S. person and no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a U.S. person in connection with any redemption thereof;
- (vii) authorise the production of such certification in any applicable administrative or legal proceedings.

(2) *Verification of the Noteholder*

In the case of Notes represented by a Global Note Certificate, upon receipt of an Asset Transfer Notice, the relevant clearing system shall verify that the person delivering the Asset Transfer Notice is the holder of the Notes described therein according to its records. Subject thereto, the relevant clearing system will confirm to the Fiscal Agent the series number and number of Notes the subject of such notice, the relevant account details and the details for the delivery of the Entitlement of each Note. Upon receipt of such confirmation, the Fiscal Agent will inform the Issuer and any Delivery Agent thereof and the Issuer will countersign the Asset Transfer Notice as confirmation that the Fiscal Agent is authorised and instructed to endorse or procure the endorsement of the Global Note Certificate to note the cancellation of the principal amount of Credit Linked Notes to which the relevant Asset Transfer Notice relates. The relevant clearing system will on or before the Delivery Date debit the securities account of the relevant Noteholder with the relevant Notes.

(3) *Determinations and Delivery*

Any determination as to whether an Asset Transfer Notice is duly completed and in proper form shall be made, in the case of Notes represented by a Global Note Certificate, by the relevant clearing system or, in the case of Notes in definitive form, by the relevant Paying Agent, or in each case in consultation with the Fiscal Agent, and shall be conclusive and binding on the Issuer, the Fiscal Agent, any Delivery Agent and the relevant Noteholder. Subject as set out below, any Asset Transfer Notice so determined to be incomplete or not in proper form, or which is not copied to the Fiscal Agent and any Delivery Agent

immediately after being delivered or sent as provided in paragraph (1) above, shall be null and void.

If such Asset Transfer Notice is subsequently corrected to the satisfaction of, in the case of Notes represented by a Global Note Certificate, the relevant clearing system, or, in the case of Notes in definitive form, by the relevant Paying Agent, or in each case in consultation with the Fiscal Agent, it shall be deemed to be a new Asset Transfer Notice submitted at the time such correction was delivered as provided above. No Asset Transfer Notice may be withdrawn after receipt thereof by the relevant clearing system or a Paying Agent, as the case may be, as provided above. After delivery of an Asset Transfer Notice, the relevant Noteholder may not transfer the Notes which are the subject of such notice. The Entitlement will be delivered at the risk of the relevant Noteholder, in the manner provided below on the Settlement Date (such date, subject to adjustment in accordance with this Credit Linked Condition, the "**Delivery Date**"), **provided that** the Asset Transfer Notice is duly delivered as provided above on or prior to the Cut-Off Date.

If a Noteholder fails to give an Asset Transfer Notice as provided herein with a copy to the Fiscal Agent and the Delivery Agent, on or prior to the Cut-Off Date, then the Entitlement will be Delivered as soon as practicable after the date fixed for redemption (in which case, such date of delivery shall be the Delivery Date) or (in the case of Credit Linked Notes) the Settlement Date at the risk of such Noteholder in the manner provided below. For the avoidance of doubt, in such circumstances such Noteholder shall not be entitled to any payment, whether of interest or otherwise, as a result of such Delivery Date falling after the date fixed for redemption or the originally designated Settlement Date, as applicable and no liability in respect thereof shall attach to the Issuer.

The Issuer (or any Delivery Agent on its behalf) shall at the risk of the relevant Noteholder, Deliver the Deliverable Obligations comprising the Entitlement, in such commercially reasonable manner as the Issuer (or such Delivery Agent) shall in its sole discretion determine and notify to the person designated by the Noteholder in the relevant Asset Transfer Notice or in such manner as is specified in the applicable Final Terms. All costs, taxes, duties and/or expenses including stamp duty, stamp duty reserve tax and/or other costs, duties or taxes ("**Expenses**") arising from the Delivery of the Deliverable Obligations comprising the Entitlement in respect of such Notes shall be for the account of the relevant Noteholder and no Delivery of the Deliverable Obligations comprising the Entitlement shall be made until all Expenses have been paid to the satisfaction of the Issuer by the relevant Noteholder.

(4) *Asset Package Delivery*

Asset Package Delivery will apply if an Asset Package Credit Event occurs, unless (i) such Asset Package Credit Event occurs prior to the Credit Event Backstop Date determined in respect of the Credit Event specified in the Credit Event Notice or DC Credit Event Announcement applicable to the Event Determination Date, or (ii) if the Reference Entity is a Sovereign, no Package Observable Bond exists immediately prior to such Asset Package Credit Event **provided that** if a Transaction Type is specified as applicable for a Reference Entity which is a Sovereign in the relevant Final Terms and the "2014 Sovereign No Asset Package Delivery Supplement" is specified as applicable for such Transaction Type in the Physical Settlement Matrix, it shall be deemed that no Package Observable Bond exists with respect to such Reference Entity that is a Sovereign (even if such a Package Observable Bond has been published by ISDA) and accordingly Asset Package Delivery shall not apply.

If Asset Package Delivery applies, (i) Delivery of a Prior Deliverable Obligation or a Package Observable Bond specified in the Notice of Physical Settlement or NOPS Amendment Notice, as applicable, may be satisfied by Delivery of the related Asset Package, and such Asset Package shall be treated as having the same currency, Outstanding Principal Balance or Due and Payable Amount, as applicable, as the Prior Deliverable Obligation or Package Observable Bond to which it corresponds had immediately prior to the Asset Package Credit Event, (ii) each Asset in the Asset Package shall be Delivered **provided that** if any such Asset is not a Bond, it shall be treated as if

it were a Loan for these purposes, (iii) if the Asset Package is zero, the Outstanding Amount of the Prior Deliverable Obligation or Package Observable Bond shall be deemed to have been Delivered in full three Business Days following the date on which the Issuer has notified Noteholders and the Calculation Agent of the detailed description of the Asset Package that it intends to Deliver in the Notice of Physical Settlement, (iv) the Issuer may satisfy its obligation to make Delivery of the Prior Deliverable Obligation or Package Observable Bond in part by Delivery of each Asset in the Asset Package in the correct proportion and (v) if the relevant Asset is a Non-Transferable Instrument or Non-Financial Instrument, the Asset shall be deemed to be an amount of cash equal to the Asset Market Value.

5. Provisions relating to Obligation Category and Obligation Characteristics and Deliverable Obligation Category and Deliverable Obligation Characteristics

5.1 *Obligation Characteristics:*

If either of the Obligation Characteristics "Listed" or "Not Domestic Issuance" is specified in the applicable Final Terms, the Final Terms shall be construed as though the relevant Obligation Characteristic had been specified as an Obligation Characteristic only with respect to Bonds.

5.2 *Deliverable Obligation Category and Characteristics:*

- (a) If any of the Deliverable Obligation Characteristics "Listed", "Not Domestic Issuance" or "Not Bearer" is specified in the applicable Final Terms, such Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Bonds;
- (b) If the Deliverable Obligation Characteristic "Transferable" is specified in the applicable Final Terms, such 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
- (c) If any of the Deliverable Obligation Characteristics "Assignable Loan", "Consent Required Loan" or "Direct Loan Participation" is specified in the applicable Final Terms, such Final Terms shall be construed as though such Deliverable Obligation Characteristic had been specified as a Deliverable Obligation Characteristic only with respect to Loans.
- (d) If more than one of "Assignable Loan," "Consent Required Loan" and "Direct Loan Participation" are specified as Deliverable Obligation Characteristics in the applicable Final Terms, the Deliverable Obligations may include any Loan that satisfies any one of such Deliverable Obligation Characteristics specified and need not satisfy all such Deliverable Obligation Characteristics.
- (e) For purposes of the application of the Deliverable Obligation Characteristic "Maximum Maturity", remaining maturity shall be determined on the basis of the terms of the Deliverable Obligation in effect at the time of making such determination and, in the case of a Deliverable Obligation that is due and payable, the remaining maturity shall be zero.
- (f) If "Financial Reference Entity Terms" and "Governmental Intervention" are specified as applicable in the relevant Final Terms in respect of a Reference Entity, if an obligation would otherwise satisfy a particular Obligation Characteristic or Deliverable Obligation Characteristic, the existence of any terms in the relevant obligation in effect at the time of making the determination which permit the Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention, shall not cause such obligation to fail to satisfy such Obligation Characteristic or Deliverable Obligation Characteristic.
- (g) For the purposes of determining the applicability of Deliverable Obligation Characteristics and the requirements specified in Credit Linked Condition 8.2 (*Mod R*) and Credit Linked Condition 8.3 (*Mod R*) to a Prior Deliverable Obligation or a Package Observable Bond, any such determination shall be made by reference to the terms of the relevant obligation in effect immediately prior to the Asset Package Credit Event; and

- (h) If "Subordinated European Insurance Terms" is specified as applicable in the relevant Final Terms in respect of a Reference Entity, if an obligation would otherwise satisfy the "Maximum Maturity" Deliverable Obligation Characteristic, the existence of any Solvency Capital Provisions in such obligation shall not cause it to fail to satisfy such Deliverable Obligation Characteristic.

5.3 ***Guarantees:***

If an Obligation or a Deliverable Obligation is a Relevant Guarantee, the following will apply:

- (a) For purposes of the application of the Obligation Category or the Deliverable Obligation Category, the Relevant Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.
- (b) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, both the Relevant Guarantee and the Underlying Obligation must satisfy on the relevant date or dates each of the applicable Obligation Characteristics or Deliverable Obligation Characteristics, if any, specified in the relevant Final Terms from the following list: "Not Subordinated", "Specified Currency", "Not Sovereign Lender", "Not Domestic Currency" and "Not Domestic Law".
- (c) For purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date or dates each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified in the relevant Final Terms from the following list: "Listed", "Not Domestic Issuance", "Assignable Loan", "Consent Required Loan", "Direct Loan Participation", "Transferable", "Maximum Maturity", "Accelerated" or "Matured" and "Not Bearer".
- (d) For 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) For the avoidance of doubt the provisions of this Credit Linked Condition 5 apply in respect of the definitions of "Obligation", "Valuation Obligation" and "Deliverable Obligation" as the context admits.

6. **Succession**

6.1 ***Provisions for determining a Successor***

- (a) The Calculation Agent will be responsible for determining, as soon as reasonably practicable after it becomes aware of the existence of the relevant Successor, any Successor or Successors; **provided that** the Calculation Agent will not make such determination if, at the time of determination, ISDA has publicly announced that the relevant Credit Derivatives Determinations Committee has Resolved that there is no Successor based on the relevant succession to Relevant Obligations.
- (b) The Calculation Agent will make all calculations and determinations required to be made in relation to the determination of any Successor or Successors on the basis of Eligible Information and will notify the Issuer of any such calculation or determination as soon as practicable.
- (c) In calculating the percentages used to determine whether an entity qualifies as a Successor, if there is a Steps Plan, the Calculation Agent shall consider all related successions in respect of such Steps Plan in aggregate as if forming part of a single succession.
- (d) An entity may only be a Successor if:
 - (i) either (A) the related Succession Date occurs on or after the Successor Backstop Date, or (B) such entity is a Universal Successor in respect of which the Succession Date occurred on or after 1 January 2014;

- (ii) the Reference Entity had at least one Relevant Obligation outstanding immediately prior to the Succession Date and such entity succeeds to all or part of at least one Relevant Obligation of the Reference Entity; and
 - (iii) where the Reference Entity is a Sovereign, such entity succeeded to the Relevant Obligations by way of a Sovereign Succession Event.
- (e) For purposes of the provisions of these Credit Linked Conditions relating to the determination of a Successor, "**succeed**" means, with respect to the Reference Entity and its Relevant Obligations, that an entity other than the Reference Entity (i) assumes or becomes liable for such Relevant Obligations whether by operation of law or pursuant to any agreement (including, with respect to a Reference Entity that is a Sovereign, any protocol, treaty, convention, accord, concord, entente, pact or other agreement), or (ii) issues Bonds or incurs Loans (the "**Exchange Bonds or Loans**") that are exchanged for Relevant Obligations, and in either case the Reference Entity is not thereafter a direct obligor or a provider of a Relevant Guarantee with respect to such Relevant Obligations or such Exchange Bonds or Loans, as applicable, and "**succeeded**" and "**succession**" shall be construed accordingly.
- (f) In the case of an exchange offer, the determination required pursuant to the definition of 'Successor' shall be made on the basis of the outstanding principal balance of Relevant Obligations exchanged and not on the basis of the outstanding principal balance of the Exchange Bonds or Loans.
- (g) If two or more entities (each, a "**Joint Potential Successor**") jointly succeed to a Relevant Obligation (the "**Joint Relevant Obligation**") either directly or as a provider of a Relevant Guarantee, then (i) if the Joint Relevant Obligation was a direct obligation of the Reference Entity, it shall be treated as having been succeeded by the Joint Potential Successor (or Joint Potential Successors, in equal parts) which succeeded to such Joint Relevant Obligation as direct obligor or obligors, or (ii) if the Joint Relevant Obligation was a Relevant Guarantee, it shall be treated as having been succeeded to by the Joint Potential Successor (or Joint Potential Successors, in equal parts) which succeeded to such Joint Relevant Obligation as guarantor or guarantors, if any, or otherwise by each Joint Potential Successor in equal parts.
- (h) The Calculation Agent may make such adjustments to the terms of the Credit Linked Notes as it considers appropriate (including, without limitation, in respect of future amounts payable on the Notes) to account for any payments that were made (or other actions that were taken) in respect of the Credit Linked Notes between the Succession Date and the date on which it determines the existence of one or more Successor.

6.2 ***Single Reference Entity:***

Where the Notes are Single Reference Entity CLNs and more than one Successor has been identified, each Credit Linked Note will be deemed for all purposes to have been divided into the same number of new Credit Linked Notes as there are Successors, with the following terms:

- (a) each Successor will be a Reference Entity for the purposes of one of the deemed new Credit Linked Notes;
- (b) in respect of each deemed new Credit Linked Note, the Reference Entity Notional Amount will be the Reference Entity Notional Amount applicable to the original Reference Entity divided by the number of Successors; and
- (c) all other terms and conditions of the original Credit Linked Notes will be replicated in each deemed new Credit Linked Note except to the extent that modification is required, as determined by the Calculation Agent acting in good faith and in a commercially reasonable manner, to preserve the economic effects of the original Credit Linked Notes in the deemed new Credit Linked Notes (considered in the aggregate).

6.3 ***Nth-to-Default CLNs:***

Where the Notes are Nth-to-Default CLNs:

- (a) where more than one Successor has been identified (other than for a Reference Entity in respect of which a Credit Event has occurred), each Credit Linked Note will be deemed for all purposes to have been divided into a number of new Credit Linked Notes equal to the number of Successors. Each such new Credit Linked Note shall include a Successor and each and every one of the Reference Entities unaffected by such succession and the provisions of Credit Linked Condition 6.2(a) to (c) (inclusive) shall apply thereto;
- (b) if "Substitution" is specified as not being applicable in the Final Terms, where any Reference Entity (the "**Surviving Reference Entity**") (other than a Reference Entity that is subject to the succession) would be a Successor to any other Reference Entity (the "**Legacy Reference Entity**") pursuant to a succession, such Surviving Reference Entity shall be deemed to be a Successor to the Legacy Reference Entity; and
- (c) if "Substitution" is specified as being applicable in the Final Terms, where the Surviving Reference Entity (other than a Reference Entity that is subject to the succession) would be a Successor to a Legacy Reference Entity:
 - (i) such Surviving Reference Entity shall be deemed not to be a Successor to the Legacy Reference Entity; and
 - (ii) the Replacement Reference Entity shall be deemed to be a Successor to the Legacy Reference Entity.

6.4 ***Basket CLNs:***

Where the Credit Linked Notes are Basket CLNs, and one or more Successors have been identified in respect of a Reference Entity (the "**Affected Entity**") then:

- (a) the Affected Entity will no longer be a Reference Entity (unless it is a Successor as described in (ii) below);
- (b) each Successor will be deemed a Reference Entity (in addition to each Reference Entity which is not an Affected Entity);
- (c) the Reference Entity Notional Amount for each such Successor will equal the Reference Entity Notional Amount of the Affected Entity divided by the number of Successors;
- (d) the Calculation Agent may make any modifications to the terms of the Notes which it determines, acting in good faith and in a commercially reasonable manner, are required to preserve the economic effects of the Notes prior to the relevant succession (considered in the aggregate); and
- (e) for the avoidance of doubt, a Reference Entity may, as a result of a succession, be represented in the basket with respect to multiple Reference Entity Notional Amounts.

6.5 ***Substitute Reference Obligations for Reference Obligation Only Trades:***

If the event set out in sub-paragraph (a) of the definition of "Substitution Event" occurs with respect to the Reference Obligation for a Reference Obligation Only Trade, the Substitution Event Date shall be the CLN Maturity Date and the Issuer shall make a payment of the outstanding principal amount of the Credit Linked Notes as described in Credit Linked Condition 2.1.

Notwithstanding the definition of "Substitute Reference Obligation", (i) no Substitute Reference Obligation shall be determined in respect of a Reference Obligation Only Trade in respect of the relevant Reference Entity and (ii) if the events set out in sub-paragraphs (b) or (c) of the definition of "Substitution Event" occur with respect to the Reference Obligation for a Reference Entity in respect of which Reference Obligation Only Trade is applicable, such Reference Obligation shall continue to be the Reference Obligation.

7. **Provisions relating to LPN Reference Entities**

The following provisions shall apply if the relevant Final Terms provides that "LPN Reference Entity" is applicable:

- (a) Multiple Holder Obligation will not be applicable with respect to any Reference Obligation and any Underlying Loan;
- (b) each Reference Obligation will be an Obligation notwithstanding anything to the contrary in these Credit Linked Conditions, and in particular, that the obligation is not an obligation of the Reference Entity;
- (c) each Reference Obligation will be a Deliverable Obligation notwithstanding anything to the contrary in these Credit Linked Conditions, and in particular, that the obligation is not an obligation of the Reference Entity;
- (d) for the avoidance of doubt, with respect to any LPN Reference Obligation that specifies an Underlying Loan or an Underlying Finance Instrument, the outstanding principal balance shall be determined by reference to the Underlying Loan or Underlying Finance Instrument (as applicable) relating to such LPN Reference Obligation; and
- (e) the "Not Subordinated" Obligation Characteristic and Deliverable Obligation Characteristic shall be construed as if no Reference Obligation was specified in respect of the Reference Entity.

8. **Restructuring Credit Event**

8.1 ***Multiple Credit Event Notices:***

Upon the occurrence of an M(M)R Restructuring with respect to a Reference Entity:

- (a) the Issuer may deliver multiple Credit Event Notices with respect to such M(M)R Restructuring, each such notice setting forth the amount of the relevant Reference Entity Notional Amount to which such Credit Event Notice applies (the "**Exercise Amount**") **provided that** if the Credit Event Notice does not specify an Exercise Amount, the then outstanding Reference Entity Notional Amount (and not a portion thereof) will be deemed to have been specified as the Exercise Amount;
- (b) if the Issuer has delivered a Credit Event Notice that specifies an Exercise Amount that is less than the outstanding Reference Entity Notional Amount, the rights and obligations of the parties shall, with effect from the date such Credit Event Notice is effective, be construed as if each Note had split into two Notes, one of which has a principal amount outstanding equal to such Note's *pro rata* share of the Exercise Amount and, upon the occurrence of an Event Determination Date, will be settled in accordance with the applicable Settlement Method or Fallback Settlement Method, as applicable, and the other of which will have a principal amount outstanding equal to the principal amount outstanding of such Note prior to the delivery of such Credit Event Notice minus such *pro rata share of the* Exercise Amount and will continue in effect with such modifications as the Calculation Agent determines, in good faith and acting in a commercially reasonable manner, are required in order to preserve the economic effects of the Notes so split (considered in aggregate); and
- (c) the Exercise Amount in connection with a Credit Event Notice describing an M(M)R Restructuring must be an amount that is at least 1,000,000 units of the Specified Currency (or, if Japanese Yen, 100,000,000 units) in which the relevant Reference Entity Notional Amount is denominated or any integral multiple thereof or the entire relevant Reference Entity Notional Amount.

In the case of an Nth-to-Default CLN, once an Event Determination Date has occurred in respect of the Nth Reference Entity where the Credit Event is an M(M)R Restructuring, no further Credit Event Notices may be delivered in respect of any other Reference Entity (save to the extent that

the Credit Linked Notes are deemed to have been divided into new Credit Linked Notes pursuant to Credit Linked Condition 6).

If any Credit Linked Note is subject to partial redemption in accordance with this Credit Linked Condition 8, the relevant Credit Linked Note or, if the Credit Linked Notes are represented by a Global Note Certificate, such Global Note Certificate shall be endorsed to reflect such partial redemption.

8.2 **Mod R:**

In respect of any Reference Entity for which Restructuring is an applicable Credit Event, if (i) "Physical Settlement" or "Cash Settlement" is specified to be the Settlement Method in the Final Terms (or is applicable as the Fallback Settlement Method), (ii) "Mod R" is specified as applicable in respect of such Reference Entity in the Final Terms, and (iii) Restructuring is the only Credit Event specified in a Credit Event Notice, then unless the Deliverable Obligation or Valuation Obligation (as applicable) is a Prior Deliverable Obligation and Asset Package Delivery applies due to a Governmental Intervention, a Deliverable Obligation or, as applicable, Valuation Obligation, may only be specified in a Notice of Physical Settlement, any NOPS Amendment Notice or, as applicable, selected by the Issuer to form part of the related Valuation Obligations Portfolio only if it:

- (a) is a Fully Transferable Obligation; and
- (b) has a final maturity date not later than the applicable Restructuring Maturity Limitation Date,

in each case, as of both the NOPS Effective Date and the Delivery Date or, as applicable, as of the Relevant Valuation Date.

8.3 **Mod R:**

In respect of any Reference Entity for which Restructuring is an applicable Credit Event, if (i) "Physical Settlement" or "Cash Settlement" is specified to be the Settlement Method in the Final Terms (or is applicable as the Fallback Settlement Method), (ii) "Mod R" is specified as applicable in respect of such Reference Entity in the Final Terms, and (iii) Restructuring is the only Credit Event specified in a Credit Event Notice, then unless the Deliverable Obligation or Valuation Obligation (as applicable) is a Prior Deliverable Obligation and Asset Package Delivery applies due to a Governmental Intervention, a Deliverable Obligation or, as applicable, Valuation Obligation, may only be specified in the Notice of Physical Settlement, any NOPS Amendment Notice or, as applicable, selected by the Issuer to form part of the related Valuation Obligations Portfolio, only 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,

in each case, as of both the NOPS Effective Date and the Delivery Date or, as applicable, as of the Relevant Valuation Date. Notwithstanding the foregoing, for purposes of the above, in the case of a Restructured Bond or Loan with a final maturity date on or prior to the 10-year Limitation Date, the final maturity date of such Bond or Loan shall be deemed to be the earlier of such final maturity date or the final maturity date of such Bond or Loan immediately prior to the relevant Restructuring.

If the relevant Deliverable Obligation specified in the Notice of Physical Settlement (or any NOPS Amendment Notice, as applicable) is a Conditionally Transferable Obligation with respect to which consent is required to novate, assign or transfer and the requisite consent is refused (whether or not a reason is given for such refusal and, where a reason is given for such refusal, regardless of that reason) or is not received by the Physical Settlement Date, the Issuer shall, as soon as reasonably practicable, notify the relevant Noteholders of such refusal (or deemed refusal) and:

- (x) each such Noteholder may designate a third party (which may or may not be an Affiliate of such Noteholder) to take Delivery of the Deliverable Obligation on its behalf; and
- (y) if a Noteholder does not designate a third party that takes Delivery on or prior to the date which is three CLN Business Days after the Physical Settlement Date, then the Issuer will redeem the Notes in respect of which Delivery has not occurred by payment of the relevant Partial Cash Settlement Amount to such Noteholder. For the avoidance of doubt, Credit Linked Condition 4.2 will not apply to this paragraph.

8.4 ***Determination of final maturity date***

For the purposes of making a determination pursuant to "Mod R" and "Mod Mod R", final maturity date shall, subject to the provisions of Credit Linked Note Condition 8.3 (*Mod Mod R*), be determined on the basis of the terms of the Deliverable Obligation or, as applicable, Valuation Obligation in effect at the time of making such determination and, in the case of a Deliverable Obligation or, as applicable, Valuation Obligation that is due and payable, the final maturity date shall be deemed to be the date on which such determination is made.

8.5 ***Multiple Holder Obligations:***

Unless "Multiple Holder Obligation" is specified as not applicable in the relevant Final Terms, then, notwithstanding anything to the contrary in the definition of Restructuring and related provisions, the occurrence of, agreement to or announcement of any of the events described in subparagraphs (a)(i) to (v) of the definition of Restructuring shall not be a Restructuring unless the Obligation in respect of any such events is a Multiple Holder Obligation.

9. **Miscellaneous Provisions relating to Credit Linked Notes**

9.1 ***Determinations of the Calculation Agent:***

The determination by the Calculation Agent of any amount or of any state of affairs, circumstance, event or other matter, or the formation of any opinion or the exercise of any discretion required or permitted to be determined, formed or exercised by the Calculation Agent, in good faith, pursuant to the Credit Linked Conditions shall (in the absence of manifest error) be final and binding on the Issuer and the Noteholders. In performing its duties pursuant to the Credit Linked Notes, the Calculation Agent shall, unless otherwise expressly stated, not be bound to follow or act in accordance with any determination of the relevant Credit Derivatives Determinations Committee. Whenever the Calculation Agent is required to make any determination it may, *inter alia*, decide issues of construction and legal interpretation. If the Calculation Agent chooses to rely on the determinations of the relevant Credit Derivatives Determinations Committee it may do so without liability. Any delay, deferral or forbearance by the Calculation Agent in the performance or exercise of any of its obligations or its discretion under the Credit Linked Notes including, without limitation, the giving of any notice by it to any person, shall not affect the validity or binding nature of any later performance or exercise of such obligation or discretion, and none of the Calculation Agent or the Issuer shall, in the absence of wilful misconduct and gross negligence, bear any liability in respect of, or consequent upon, any such delay, deferral or forbearance.

9.2 ***Reversal of DC Resolutions:***

If, where the Calculation Agent has relied upon a DC Resolution for the purposes of making a calculation or determination with respect to the Notes, ISDA or the DC Secretary publicly announces that such DC Resolution has been reversed by a subsequent DC Resolution, such reversal will be taken into account for the purposes of any subsequent calculations, **provided that** the ISDA public announcement occurs prior to the DC Resolution Reversal Cut-off Date (or where redeemed in part, save to the extent of any such redemption). The Calculation Agent, acting in good faith and in a commercially reasonable manner, will make any adjustment to any future payments as are required to take account of such reversal, including any payment of additional interest or any reduction in any interest or any other amount payable under the Notes. For the avoidance of doubt, no accruals of interest shall be taken into account when calculating any such adjustment payment.

9.3 ***Change in Standard Terms and Market Conventions:***

The Calculation Agent, acting reasonably, may (but shall not be obligated to) modify these Credit Linked Conditions from time to time with effect from a date designated by the Calculation Agent to the extent reasonably necessary to ensure consistency with prevailing market standards or market trading conventions, which are, pursuant to the agreement of leading dealers in the credit derivatives market or any relevant committee established by ISDA, a market-wide protocol, any applicable law or regulation or the rules of any applicable exchange or clearing system, which would be applicable to any Notional Credit Derivative Transaction or any Hedge Transaction entered into prior to such date or terms thereof or to conform the Issuer's obligations under the notes with the Issuer's rights under any Hedge Transaction. The Calculation Agent shall notify the Issuer and the Noteholders as soon as reasonably practicable upon making any such determination. For the avoidance of doubt, the Calculation Agent may not, without the consent of the Issuer, amend pursuant to this Credit Linked Condition 9.3 any of the terms and conditions of the Credit Linked Notes other than the applicable Credit Linked Conditions. In particular, the Calculation Agent may make such modifications as it considers to be reasonably necessary to ensure consistency with any successor provisions which are published by ISDA and which supplement or supersede the 2014 ISDA Credit Derivatives Definitions ("**Successor Provisions**") for the purposes of credit derivatives transactions generally (including with respect to transactions which are entered into prior to the relevant date of publication and which are outstanding as of that date) and/or may apply and rely on determinations of the Credit Derivatives Determinations Committee made in respect of a relevant Reference Entity under any such Successor Provisions notwithstanding any discrepancy between the terms of such Successor Provisions and these Credit Linked Conditions.

9.4 ***Delivery of Notices:***

As soon as reasonably practicable after delivering a Credit Event Notice or Notice of Publicly Available Information to the Calculation Agent, the Issuer shall promptly inform the Noteholders in accordance with General Condition 21 (*Notices*) **provided that** any failure or delay in giving such notice to Noteholders shall not affect the rights of the Issuer in relation thereto. Resolutions of the Credit Derivatives Determinations Committee are, as of the date hereof, available on the website of the Credit Derivatives Determinations Committees (<http://dc.isda.org/>).

9.5 ***Effectiveness of Notices:***

Any notice referred to in Credit Linked Condition 9.4 above which is delivered on or prior to 4:00 p.m. (London time) on a London Business Day is effective on such date and if delivered after such time or on a day that is not a London Business Day, is deemed effective on the next following London Business Day.

9.6 ***Excess Amounts:***

If, on a CLN Business Day, the Calculation Agent reasonably determines that an Excess Amount has been paid to Noteholders on or prior to such day, then following notification of the determination of an Excess Amount to the Issuer and Noteholders in accordance with General Condition 21 (*Notices*), the Issuer may deduct, on a *pari passu* and *pro rata* basis, any such Excess Amount from future payments in relation to the Notes (whether interest or principal) or may reduce the amount of any assets deliverable under the terms of the Notes to the extent that it determines, acting reasonably, to be necessary to compensate for such Excess Amount.

9.7 ***Timing:***

Subject to the provisions relating to timing in Credit Linked Condition 9.5 and the definition of "Failure to Pay", in order to determine the day on which an event occurs for purposes of the Credit Derivatives Definitions, the demarcation of days shall be made by reference to Greenwich Mean Time (or, if the Transaction Type of a Reference Entity relates to Japan, Tokyo time), irrespective of the time zone in which such event occurred. Any event occurring at midnight shall be deemed to have occurred immediately prior to midnight.

9.8 ***Payment Timing:***

Notwithstanding the 'Credit Event Notice' definition and Credit Linked Condition 9.7 (*Timing*) above, if a payment is not made by the Reference Entity on its due date or, as the case may be, on the final day of the relevant Grace Period, then such failure to make a payment shall be deemed to have occurred on such day prior to midnight Greenwich Mean Time (or, if the Transaction Type of the Reference Entity relates to Japan, Tokyo time), irrespective of the time zone of its place of payment.

9.9 ***Business Day Convention:***

If the last day of any period calculated by reference to calendar days falls on a day that is not a Business Day, such last day shall be subject to adjustment in accordance with the applicable Business Day Convention; ***provided that*** if the last day of any period is the Credit Event Backstop Date or the Successor Backstop Date, such last day shall not be subject to any adjustment in accordance with any Business Day Convention.

9.10 ***Frustration:***

In the absence of other reasons, the Credit Linked Notes will not be considered frustrated, or otherwise void or voidable (whether for mistake or otherwise) solely because:

- (a) the Reference Entity does not exist on, or ceases to exist on or following, the Trade Date; and/or
- (b) Obligations, Deliverable Obligations or the Reference Obligation do not exist on, or cease to exist on or following, the Trade Date.

10. **Amendments to the General Conditions**

In respect of a Series of Credit Linked Notes, the General Conditions of the Notes shall be amended as follows:

- (a) General Condition 11(a) (*Scheduled redemption*) shall be amended as follows:

"Unless previously redeemed or purchased and cancelled as provided below, each Credit Linked Note will be redeemed in accordance with the Credit Linked Conditions and the applicable Final Terms".

11. **Definitions**

"Accelerated or Matured" means an obligation under which the principal amount owed, whether by reason of maturity, acceleration, termination or otherwise, is 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.

"Additional Credit Event" means an additional credit event as defined in the Final Terms.

"Additional Credit Linked Note Disruption Event" means any of Change in Law, Hedging Disruption, and/or Increased Cost of Hedging, in each case if specified as applying in the applicable Final Terms.

"Additional LPN" means any LPN issued by an LPN Issuer, for the sole purpose of providing funds for the LPN Issuer to provide financing to the Reference Entity via an:

- (a) Underlying Loan; or
- (b) Underlying Finance Instrument:

provided that:

- (I) either:
 - (A) in the event that there is an Underlying Loan with respect to such LPN, the Underlying Loan satisfies the Obligation Characteristics specified in respect of the Reference Entity; or
 - (B) in the event that there is an Underlying Finance Instrument with respect to such LPN the Underlying Finance Instrument satisfies the Not Subordinated, Not Domestic Law and Not Domestic Currency Obligation Characteristics;
- (II) the LPN satisfies the following Deliverable Obligation Characteristics: Transferable, Not Bearer, Specified Currencies – Standard Specified Currencies, Not Domestic Law, Not Domestic Issuance; and
- (III) the LPN Issuer has, as of the issue date of such obligation, granted a First Ranking Interest over or in respect of certain of its rights in relation to the relevant Underlying Loan or Underlying Finance Instrument (as applicable) for the benefit of holders of the LPNs.

"Additional Obligation" means each of the obligations listed as an Additional Obligation of the Reference Entity in the relevant "LPN Reference Obligation List" as published by Markit Group Limited, or any successor thereto, which list is currently available at <http://www.markit.com/marketing/services.php>.

"Additional Provisions" means any additional provisions from time to time published by ISDA for use in the over-the-counter credit derivatives market and specified as applicable in the relevant Final Terms in relation to a Reference Entity which may include:

- (a) the Additional Provisions for Physically Settled Default Swaps - Monoline Insurer as Reference Entity, as published by ISDA on 21 January 2005; or
- (b) any other provisions specified in relation to such Reference Entity.

"Affected Entity" has the meaning given to such term in Credit Linked Condition 6.4 above.

"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.

"Asset" means each obligation, equity, amount of cash, security, fee (including any "early-bird" or other consent fee), right and/or other asset, whether tangible or otherwise and whether issued, incurred, paid or provided by the Reference Entity or a third party (or any value which was realized or capable of being realized in circumstances where the right and/or other asset no longer exists).

"Asset Market Value" means the market value of an Asset, as the Calculation Agent shall determine by reference to an appropriate specialist valuation or in accordance with the methodology determined by the Credit Derivatives Determinations Committee or in any other commercially reasonable manner selected by the Calculation Agent.

"Asset Package" means, in respect of an Asset Package Credit Event, all of the Assets in the proportion received or retained by a Relevant Holder in connection with such relevant Asset Package Credit Event (which may include the Prior Deliverable Obligation or Package Observable Bond, as the case may be). If the Relevant Holder is offered a choice of Assets or a choice of combinations of Assets, the Asset Package will be the Largest Asset Package. If the Relevant Holder is offered, receives and retains nothing, the Asset Package shall be deemed to be zero.

"Asset Package Credit Event" means:

- (a) if "Financial Reference Entity Terms" and "Governmental Intervention" are specified as applicable in the relevant Final Terms in respect of the relevant Reference Entity:
 - (i) a Governmental Intervention; or

- (ii) a Restructuring in respect of the Reference Obligation, if "Restructuring" is specified as applicable in the Final Terms in respect of the relevant Reference Entity and such Restructuring does not constitute a Governmental Intervention; and
- (b) if the Reference Entity is a Sovereign and "Restructuring" is specified in the Final Terms as being applicable, a Restructuring.

In each case, whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement.

"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 Reference Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if the Reference Entity is guaranteeing such Loan) or any agent, and if specified as applicable to a Deliverable Obligation Category, the Assignable Loan Deliverable Obligation Characteristic shall be applicable only in respect of obligations within that Deliverable Obligation Category that are Loans.

"Auction" has the meaning set forth in the relevant Transaction Auction Settlement Terms.

"Auction Cancellation Date" has the meaning set forth in the Transaction Auction Settlement Terms.

"Auction Covered Transaction" has the meaning set forth in the Transaction Auction Settlement Terms.

"Auction Final Price" has the meaning set forth in the Transaction Auction Settlement Terms or the Parallel Auction Settlement Terms identified by the Issuer in the Auction Settlement Amount Notice.

"Auction Final Price Determination Date" has the meaning set forth in the Transaction Auction Settlement Terms.

"Auction Settlement Amount" means, in relation to any Reference Entity and unless otherwise specified in the Final Terms, an amount in the Settlement Currency as determined by the Calculation Agent in accordance with the formula below:

$$\text{Auction Settlement Amount} = \text{Max } 0, [(A \times B) - C]$$

Where:

"A" means the Reference Entity Notional Amount;

"B" means the relevant Auction Final Price; and

"C" means the Unwind Costs (unless the applicable Final Terms specify that Unwind Costs are not applicable, in which event "C" means zero).

"Auction Settlement Amount Notice" means a notice given by the Issuer to the Calculation Agent and the Noteholders in accordance with General Condition 21 (*Notices*), on or prior to the date which is 65 Business Days following the Final List Publication Date specifying:

- (a) the Transaction Auction Settlement Terms or Parallel Auction Settlement Terms which the Issuer has elected to apply to the Credit Linked Notes (**provided that** the Issuer may only elect to apply any Parallel Auction Settlement Terms (which it may choose in its sole discretion) in the circumstances set out in sub-paragraphs (b) or (c)(ii) of the definition of "No Auction Announcement Date"); and
- (b) the Auction Settlement Amount.

"Auction Settlement Date" means:

- (a) the date that is three CLN Business Days following delivery by the Issuer of the Auction Settlement Amount Notice to the Calculation Agent and the Noteholders in accordance with General Condition 21 (*Notices*); or
- (b) (if "Settlement Deferral" is specified as applicable) if later, the Scheduled Maturity Date. For the avoidance of doubt, this shall be without prejudice to Credit Linked Condition 3.1 (*Cessation of Interest Accrual*).

"Bankruptcy" means the 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, scheme or composition with or for the benefit of its creditors generally or such a general assignment, arrangement, scheme or composition becomes effective;
- (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other similar relief under any bankruptcy or insolvency law or other 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 thirty calendar days of the institution or presentation thereof;
- (e) has a resolution passed for its winding-up 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 thirty 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 subparagraphs (a) to (g) above.

"Basket CLN" means Credit-Linked Notes where the Issuer purchases credit protection from the Noteholders in respect of a basket of Reference Entities (other than on an Nth-to-default basis), as specified in the Final Terms.

"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 borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit).

"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:

- (a) "Following Business Day Convention" means that the relevant date shall be postponed to the first following day that is a CLN Business Day;
- (b) "Modified Following Business Day Convention" means that the relevant date shall be postponed to the first following day that is a CLN 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 CLN Business Day;
- (c) "Preceding Business Day Convention" means that the relevant date shall be brought forward to the first preceding day that is a CLN Business Day; and
- (d) "No Adjustment" means that the relevant date shall not be adjusted in accordance with any Business Day Convention.

"Capped Reference Entity" means, unless otherwise specified in the Final Terms, a Reference Entity having a specified Transaction Type in respect of which "60 CLN Business Days Cap on Settlement" is expressed as applying in the Physical Settlement Matrix.

"Cash Settlement Amount" means, in relation to any Reference Entity an amount in the Settlement Currency as determined by the Calculation Agent in accordance with the formula below:

$$\text{Cash Settlement Amount} = \text{Max } 0, [(A \times B) - C]$$

Where:

"A" means the Reference Entity Notional Amount;

"B" means the Weighted Average Final Price, or if specified as Not Applicable in the applicable Final Terms, the Final Price; and

"C" means the Unwind Costs (unless the applicable Final Terms specify that Unwind Costs are not applicable, in which event "C" means zero).

"Cash Settlement Date" means:

- (a) the date that is the number of CLN Business Days specified in the Final Terms (or, if a number of CLN Business Days is not specified, three CLN Business Days) immediately following the determination of the Weighted Average Final Price; or
- (b) (if "Settlement Deferral" is specified as applicable) if later, the Scheduled Maturity Date. For the avoidance of doubt, this shall be without prejudice to Credit Linked Condition 3.1 (*Cessation of Interest Accrual*).

"Change in Law" means that, on or after the Trade Date (as specified in the applicable Final Terms) (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law, solvency or capital requirements), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority or financial authority), or the combined effect thereof if occurring more than once, the Issuer determines in its sole and absolute discretion that:

- (a) it is unable to perform its obligations in respect of the Notes or it has become illegal to hold, acquire or dispose of any relevant hedge positions in respect of the Notes; or
- (b) it or any of its Affiliates would incur a materially increased cost (including, without limitation, in respect of any tax, solvency or capital requirements) in maintaining the Notes in issue or in holding, acquiring or disposing of any relevant hedge positions of the Notes.

"CLN Business Day" means in respect of any Reference Entity (a)(i) 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 Final Terms, and/or (ii) a TARGET Settlement Day (if "TARGET Settlement Day" is specified in the relevant Final Terms), and/or (iii) if a Transaction Type is specified as applicable in respect of a Reference Entity in the Final Terms, each 'Business Day' specified for such Transaction Type in the Physical Settlement Matrix (by reference to the Specified Currency), or (b) if a place or places or such terms are not so specified, (i) if the Notes are denominated in the euro, a TARGET Settlement Day, or (ii) otherwise, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the principal financial city in the jurisdiction of the currency of denomination of the Notes. A reference to 'Business Days' in the Physical Settlement Matrix shall be deemed to be a reference to CLN Business Days.

"CLN Dealer" means a dealer in obligations of the type of Obligation(s) (as the case may be) for which quotations are to be obtained (as selected by the Calculation Agent) and may include the Calculation Agent or its Affiliate and a Noteholder or its Affiliate.

"CLN Early Redemption Amount" means a fair market value of the Notes, as determined by the Calculation Agent in good faith and acting in a commercially reasonable manner. The Calculation Agent may, amongst other things, have regard to (i) credit spreads of the relevant Reference Entity published by market makers; (ii) the yield to maturity of the Credit Linked Notes; and (iii) the cost to the Issuer and/or its Affiliates of unwinding any underlying related hedging arrangements (including without limitation any Unwind Costs).

"CLN Maturity Date" means either:

- (a) the Scheduled Maturity Date; or
- (b) where the Issuer delivers an Extension Notice in relation to a Reference Entity to the Calculation Agent and the Noteholders at or prior to 11:00 a.m. (London time) on the date falling one London Business Day prior to the Scheduled Maturity Date, either:
 - (i) the date falling two Business Days after the latest to occur of the expiry of the Notice Delivery Period, the expiry of the Post Dismissal Additional Period or the latest date on which it would be possible for the Issuer to deliver a Credit Event Notice; or
 - (ii) if a Credit Event Resolution Request Date has occurred on or prior to the expiry of the Notice Delivery Period or the Post Dismissal Additional Period in relation to a Reference Entity and unless otherwise elected by the Issuer by written notice to the Calculation Agent and the Noteholders, the date falling 15 Business Days following any date on which the Credit Derivatives Determinations Committee Resolves that the relevant event does not constitute a Credit Event, or Resolves not to make such determination.

"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, in each case, as of both the NOPS Effective Date and the Delivery Date or the Relevant Valuation Date (as applicable), **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 the 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 purposes of this definition of "Conditionally Transferable Obligation".

"Conforming Reference Obligation" means a Reference Obligation which is a Deliverable Obligation determined in accordance with sub-paragraph (a) of the definition of 'Deliverable Obligation'.

"Consent Required Loan" means a Loan that is capable of being assigned or novated with the consent of the 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, and, if specified as applicable to a Deliverable Obligation Category, the Consent Required Loan Deliverable Obligation Characteristic shall be applicable only in respect of obligations within the Deliverable Obligation Category that are Loans.

"Credit Derivatives Auction Settlement Terms" means, in relation to a Reference Entity, the Credit Derivatives Auction Settlement Terms published by ISDA with respect to such Reference Entity, 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 as may be amended from time to time.

"Credit Derivatives Definitions" means the 2014 ISDA Credit Derivatives Definitions and, in addition, if Additional Provisions are specified to be applicable with respect to the Credit Linked Notes in the Final Terms, as supplemented by the Additional Provisions.

"Credit Derivatives Determinations Committee" means each committee established pursuant to the DC Rules for purposes of reaching certain DC Resolutions in connection with credit derivative transactions incorporating the 2014 Credit Derivatives Definitions, as published by ISDA.

"Credit Event" means the occurrence of one or more of Bankruptcy, Failure to Pay, Obligation Acceleration, Obligation Default, Repudiation/Moratorium, Restructuring, Governmental Intervention or Additional Credit Event as specified with respect to a Reference Entity 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 the 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 restrictions imposed by any monetary or other authority, however described.

"Credit Event Backstop Date" means the date that is 60 calendar days prior to the Trade 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 may be in writing (including by facsimile and/or email and/or by telephone)) that describes a Credit Event that occurred on or after the Credit Event Backstop Date and on or prior to the Extension Date. Any Credit Event Notice that describes a Credit Event that occurred after the Scheduled Maturity Date must relate to the relevant Potential Failure to Pay, in the case of a Grace Period Extension Date, or the relevant Potential Repudiation/Moratorium, in the case of a

Repudiation/Moratorium Evaluation Date. A Credit Event Notice that describes a Credit Event other than an M(M)R Restructuring must be in respect of the full relevant Reference Entity Notional Amount.

A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred, **provided that** where an Event Determination Date has occurred pursuant to sub-paragraph (b) of the definition thereof, a reference to the relevant DC Credit Event Announcement shall suffice. 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.

"Credit Event Resolution Request Date" means, with respect to a DC Credit Event Question, the date as publicly announced by the DC Secretary that the relevant Credit Derivatives Determinations Committee Resolves to be the date on which:

- (a) the DC Credit Event Question was effective; and
- (b) the relevant Credit Derivatives Determinations Committee was in possession of Publicly Available Information with respect to such DC Credit Event Question.

"Currency Amount" means with respect to:

- (a) a Deliverable Obligation specified in a Notice of Physical Settlement or any NOPS Amendment Notice (as applicable), or a selected Valuation Obligation that is denominated in a currency other than the Settlement Currency, an amount converted to the Settlement Currency using a conversion rate determined by reference to the Currency Rate; and
- (b) a Replacement Deliverable Obligation specified in a NOPS Amendment Notice, an amount converted to the Settlement Currency (or, if applicable, back into the Settlement Currency) using a conversion rate determined by reference to the Currency Rate, if any, and each Revised Currency Rate used to convert each Replaced Deliverable Obligation Outstanding Amount specified in each NOPS Amendment Notice with respect to that portion of the relevant Reference Entity Notional Amount into the currency of denomination of the relevant Replacement Deliverable Obligation.

"Currency Rate" means with respect to:

- (a) a Deliverable Obligation specified in the Notice of Physical Settlement or any NOPS Amendment Notice (as applicable), or a selected Valuation Obligation, the rate of conversion between the Settlement Currency and the currency in which the Outstanding Amount of such Deliverable Obligation or Valuation Obligation, as applicable is denominated that is either:
 - (i) determined by reference to the Currency Rate Source as at the Next Currency Fixing Time; or
 - (ii) if such rate is not available at such time, as the Calculation Agent shall determine in a commercially reasonable manner; and
- (b) a Replacement Deliverable Obligation specified in a NOPS Amendment Notice, the Revised Currency Rate.

"Currency Rate Source" means the mid-point rate of conversion published by WM/Reuters at 4:00 p.m. (London time), or any successor rate source approved by the relevant Credit Derivatives Determinations Committee.

"DC Announcement Coverage Cut-off Date" means, with respect to a DC Credit Event Announcement, the Auction Final Price Determination Date, the Auction Cancellation Date, or the date that is fourteen calendar days following the No Auction Announcement Date, if any, as applicable.

"DC Credit Event Announcement" means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee

has Resolved that an event that would constitute a Credit Event for purposes of a Notional Credit Derivative Transaction has occurred on or after the Credit Event Backstop Date and on or prior to the Extension Date, **provided that** if the Credit Event occurred after the Scheduled Maturity Date, the DC Credit Event Announcement must relate to the relevant Potential Failure to Pay, in the case of a Grace Period Extension Date, or the relevant Potential Repudiation/Moratorium, in the case of a Repudiation/Moratorium Evaluation Date.

"DC Credit Event Meeting Announcement" means, with respect to the Reference Entity, a public announcement by the DC Secretary that a Credit Derivatives Determinations Committee will be convened to Resolve the matters described in a DC Credit Event Question.

"DC Credit Event Question" means a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve whether an event that would constitute a Credit Event for purposes of a Notional Credit Derivative Transaction has occurred.

"DC Credit Event Question Dismissal" means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved not to determine the matters described in a DC Credit Event Question.

"DC No Credit Event Announcement" means, with respect to the Reference Entity, a public announcement by the DC Secretary that the relevant Credit Derivatives Determinations Committee has Resolved that an event that is the subject of a DC Credit Event Question does not constitute a Credit Event.

"DC Resolution" means a resolution made by a relevant Credit Derivatives Determinations Committee or, if the context requires, the meaning given to that term in the DC Rules.

"DC Resolution Reversal Cut-off Date" means the earliest to occur of the Auction Final Price Determination Date, a Valuation Date, a Physical Settlement Date, a Delivery Date, the CLN Maturity Date or other redemption date of the Credit Linked Notes or the date on which instructions are given by or on behalf of the Issuer for any such redemption or any date (if earlier) of termination or settlement in whole or in part of any Hedge Transaction as a result of the original DC Resolution by or on behalf of the Issuer and/or any of its Affiliates.

"DC Rules" means 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.

"DC Secretary" has the meaning given to that term in the DC Rules.

"Default Requirement" means the amount specified as such in the Final Terms or its equivalent in the relevant Obligation Currency (or, if no such amount is specified, USD 10,000,000 or its equivalent in the relevant Obligation Currency) in either case, as of the occurrence of the relevant Credit Event.

"Deliver" means to deliver, novate, transfer (including, in the case of a Guarantee, transfer of the benefit of the Guarantee), assign or sell, as appropriate, in the manner customary for the settlement of the applicable Deliverable Obligations (which shall include executing all necessary documentation and taking any other necessary actions), in order to convey all right, title (or, with respect to Deliverable Obligations where only equitable title is customarily conveyed, all equitable title) and interest in the Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable, to the Issuer or the Noteholders, as the case may be, free and clear of any and all liens, charges, claims or encumbrances (excluding any liens routinely imposed on all securities in a relevant clearance system, but including, without limitation, any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in subparagraphs (a) to (d) of the definition of "Credit Event" or right of set-off by or of the Reference Entity or any applicable Underlying Obligor)); **provided that** (i) if a Deliverable Obligation is a Direct Loan Participation, "Deliver" means to create (or procure the creation of) a participation in favour of the Issuer or the Noteholders, as the case may be, and (ii) if a Deliverable Obligation is a Guarantee, "Deliver" means to Deliver both the Underlying Obligation and the Guarantee, **provided further that** if the Guarantee has a Fixed Cap, (A) "Deliver" means to Deliver the

Underlying Obligation, the Guarantee and all claims to any amounts which are subject to such Fixed Cap and (B) those claims shall be deemed to be Deliverable Obligations for purposes of any physical settlement. "Delivery" and "Delivered" will be construed accordingly.

In the case of a Loan, Delivery shall be effected using documentation substantially in the form of the documentation customarily used in the relevant market for Delivery of such Loan at that time. Notwithstanding the previous sentence, in the case of a Loan, the Issuer and each Noteholder agrees to comply, for the purposes of the settlement of the Credit Linked Notes with the provisions of any documentation (which term shall be deemed to include any market advisory that the relevant Credit Derivatives Determinations Committee Resolves to approve for such purpose) that the relevant Credit Derivatives Determinations Committee Resolves constitutes documentation customarily used in the relevant market for Delivery of such Loan at that time, as such documentation may be amended to the extent the relevant Credit Derivatives Determinations Committee Resolves is appropriate, which is consistent with the delivery and payment obligations of the parties hereunder. The Issuer agrees, and each Noteholder is deemed to further agree, that compliance by the Issuer with the provisions of any such documentation shall be required for, and, without further action, constitute, Delivery for the purposes of this definition (to the extent that such documentation contains provisions describing how Delivery should be effected) and neither the Issuer nor any Noteholder shall be permitted to request that any party take nor shall the Issuer or any Noteholder be required to take, any action or make any payment in connection with such Delivery, as applicable, unless otherwise contemplated by such documentation.

"Deliverable Obligation" means, subject to Credit Linked Conditions 8.1, 8.2 and 8.3:

- (a) any obligation of the Reference Entity (either directly or as provider of a Relevant Guarantee) described by the applicable Deliverable Obligation Category and having each of the applicable Deliverable Obligation Characteristics, if any, as of both the NOPS Effective Date and the Delivery Date as selected by the Calculation Agent in its sole discretion;
- (b) the Reference Obligation;
- (c) solely in relation to a Restructuring Credit Event applicable to a Reference Entity which is a Sovereign, and unless Asset Package Delivery is specified as being applicable in the relevant Final Terms, any Sovereign Restructured Deliverable Obligation; and
- (d) if Asset Package Delivery is specified as being applicable in the relevant Final Terms, any Prior Deliverable Obligation (if "Financial Reference Entity Terms" is specified as applicable in the relevant Final Terms) or any Package Observable Bond (if the Reference Entity is a Sovereign),

in each case, (i) unless it is an Excluded Deliverable Obligation and (ii) **provided that** the obligation has an Outstanding Principal Balance or Due and Payable Amount that is greater than zero (determined for purposes of sub-paragraph (d) above, immediately prior to the relevant Asset Package Credit Event).

"Deliverable Obligation Category" means one of Payment, Borrowed Money, Reference Obligation Only, Bond, Loan, or Bond or Loan as specified in relation to a Reference Entity. 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 Obligations may include any Loan that satisfies any one of such Deliverable Obligation Characteristics specified and need not satisfy all such Deliverable Obligation Characteristics. No Deliverable Obligation Characteristics are 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 Domestic Issuance, Assignable Loan, Consent Required Loan, Direct Loan Participation, Transferable, Maximum Maturity, Accelerated or Matured and Not Bearer as specified in relation to a Reference Entity.

"Deliverable Obligation Provisions", in relation to any Reference Entity, has the meaning set forth in the Credit Derivatives Auction Settlement Terms.

"Deliverable Obligation Terms", in relation to any Reference Entity, has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms.

"Delivery Date" means, with respect to a Deliverable Obligation or an Asset Package, the date on which such Deliverable Obligation or Asset Package is Delivered (or deemed Delivered, as applicable).

"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 each Noteholder that provides each 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 each Noteholder and either:

- (a) the Issuer (to the extent that the Issuer is then a lender or 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 Final Terms and any successor currency thereto or, if no such currency is specified, the lawful currency and any successor currency of:

- (a) the Reference Entity, if the Reference Entity is a Sovereign; or
- (b) the jurisdiction in which the Reference Entity is organized, if the Reference Entity is not a Sovereign.

"Domestic Law" means each of the laws of (a) the Reference Entity, if such Reference Entity is a Sovereign, or (b) the jurisdiction in which the Reference Entity is organized, if such Reference Entity is not a Sovereign.

"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 by the Reference Entity under the obligation whether by reason of maturity, acceleration, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts) less all or any portion of such amount which, pursuant to the terms of the obligation (a) is subject to any Prohibited Action, or (b) may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of (i) payment or (ii) a Permitted Contingency), in each case, determined in accordance with the terms of the obligation in effect on either (A) the NOPS Effective Date (or if the terms of the obligation are amended after such date but on or prior to the Delivery Date, the Delivery Date) or (B) the Relevant Valuation Date, as applicable.

"Eligible Information" means information which is publicly available or which can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.

"Eligible Transferee" means each of the following:

- (a) each of:
 - (i) any bank or other financial institution;
 - (ii) an insurance or reinsurance company;

- (iii) a mutual fund, unit trust or similar collective investment vehicle (other than an entity described in sub-paragraph (c)(i) below); and
 - (iv) a 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 (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 U.S.\$100,000,000; or
 - (B) is one of a group of investment vehicles under common control or management having, in aggregate, total assets of at least U.S.\$100,000,000; or
 - (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 paragraphs (a), (b), (c)(ii) or (d) hereof; and
- (d) any:
 - (i) Sovereign; or
 - (ii) entity or organization established by treaty or other arrangement between two or more Sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development,

and where references in this definition to U.S.\$ include such equivalent amounts in other currencies as may be determined by the Calculation Agent.

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

- (a) subject to sub-paragraph (b) below, the Notice Delivery Date, if the Notice Delivery Date occurs during either the Notice Delivery Period or the Post Dismissal Additional Period, **provided that** neither (A) a DC Credit Event Announcement has occurred nor (B) a DC No Credit Event Announcement has occurred, in each case, with respect to the Credit Event specified in the Credit Event Notice; or
- (b) notwithstanding sub-paragraph (a) above, the Credit Event Resolution Request Date, if a DC Credit Event Announcement has occurred, the Credit Event Resolution Request Date has occurred on or prior to the last day of the Notice Delivery Period (including prior to the Trade Date) and either:
 - (A)
 - (I) the Credit Event is not an M(M)R Restructuring; and
 - (II) the Trade Date occurs on or prior to a DC Announcement Coverage Cut-off Date; or
 - (B) (I) the Credit Event is an M(M)R Restructuring; and

(II) a Credit Event Notice is delivered by the Issuer to the Calculation Agent and is effective on or prior to the Exercise Cut-off Date,

provided that:

- (ii) no Physical Settlement Date, Cash Settlement Date or CLN Maturity Date has occurred on or prior to the date on which the DC Credit Event Meeting Announcement occurs;
- (iii) if any Valuation Date or Delivery Date, as applicable, has occurred on or prior to the date on which the DC Credit Event Meeting Announcement occurs, an Event Determination Date shall be deemed to have occurred only with respect to the portion of the Reference Entity Notional Amount, if any, with respect to which no Valuation Date or Delivery Date, as applicable, has occurred; and
- (iv) no Credit Event Notice specifying an M(M)R Restructuring as the only Credit Event has previously been delivered by the Issuer to the Calculation Agent, (A) unless the M(M)R Restructuring specified in such Credit Event Notice is also the subject of the DC Credit Event Question resulting in the occurrence of the Credit Event Resolution Request Date, (B) unless, and to the extent that, the Exercise Amount specified in such Credit Event Notice was less than the then outstanding relevant Reference Entity Notional Amount, or (C) unless the Notional Credit Derivative Transaction would be an Auction Covered Transaction and the Deliverable Obligations set out on the Final List are identical to the Permissible Deliverable Obligations for such Notional Credit Derivative Transaction.

"Excess Amount" means any amount paid to the Noteholders but which was not due on the Notes, as a result of the occurrence of a DC Credit Event Announcement, Event Determination Date or Credit Event Resolution Request Date on or around the date on which the amount in question would otherwise have been required to be paid.

"Excluded Deliverable Obligation" means:

- (a) any obligation of the Reference Entity specified as such or of a type specified in the relevant Final Terms;
- (b) any principal only component of a Bond from which some or all of the interest components have been stripped; and
- (c) if Asset Package Delivery is applicable, any obligation issued or incurred on or after the date of the relevant Asset Package Credit Event.

"Excluded Obligation" means:

- (a) any obligation of the Reference Entity specified as such or of a type described in the applicable Final Terms;
- (b) if "Financial Reference Entity Terms" is specified as applicable in respect of the Reference Entity in the relevant Final Terms and the Reference Entity is a Senior Transaction, then for purposes of determining whether a Governmental Intervention or Restructuring has occurred, any Subordinated Obligation; and
- (c) if "Financial Reference Entity Terms" is specified as applicable in respect of the Reference Entity in the relevant Final Terms and the Reference Entity is a Subordinated Transaction, then for purposes of determining whether a Governmental Intervention or Restructuring has occurred, any Further Subordinated Obligation.

"Exercise Amount" has the meaning given to it in Credit Linked Condition 8.1.

"Exercise Cut-off Date" means the date that is the later of:

- (a) 65 Business Days following the Final List Publication Date;

- (b) 15 CLN Business Days following the Auction Final Price Determination Date, if any;
 - (c) 15 CLN Business Days following the Auction Cancellation Date, if any; or
 - (d) 15 CLN Business Days following the No Auction Announcement Date, if any,
- or such later date as the relevant Credit Derivatives Determinations Committee Resolves.

"Extended Physical Settlement Date" means:

- (a) in the case of a Capped Reference Entity, the 60th CLN Business Day following the Physical Settlement Date (the **"60th CLN Settlement Date"**), **provided that** if, under the terms of a Hedge Transaction, the Original Bonds and Original Loans, may not be received by the Issuer and/or any of its Affiliates on or before the 60th CLN Settlement Date but the Issuer and/or any of its Affiliates may, in accordance with the terms of the Hedge Transaction, receive or otherwise obtain such Original Bonds or such Original Loans or other Bonds or Loans in lieu thereof on or before the date falling three CLN Business Days (in a case where Original Bonds may be received or otherwise obtained after the Extended Physical Settlement Date) or ten CLN Business Days (in a case where Original Loans or other Loans or Bonds in lieu thereof may be received or otherwise obtained after the Extended Physical Settlement Date) after the 60th CLN Settlement Date, such date may be further extended to a date falling up to three CLN Business Days or ten CLN Business Days, respectively, after the original 60th CLN Settlement Date, or to such earlier date as the Calculation Agent may determine, in good faith and in a commercially reasonable manner; and
- (b) in the case of a Non-Capped Reference Entity, such date as the Calculation Agent may select in its absolute discretion, **provided that** such date falls no later than the 120th CLN Business Day following the Physical Settlement Date or, in the absence of such determination, such 120th CLN Business Day.

"Extension Date" means the latest of:

- (a) the Scheduled Maturity Date;
- (b) the Grace Period Extension Date if:
 - (i) Failure to Pay is an applicable Credit Event in relation to any Reference Entity and Grace Period Extension is specified as applicable in relation to such Reference Entity;
 - (ii) The Potential Failure to Pay with respect to the relevant Failure to Pay occurs on or prior to the Scheduled Maturity Date; and
 - (iii) the Issuer delivers an Extension Notice under sub-paragraph (b) of the definition thereof;
- (c) the Repudiation/Moratorium Evaluation Date (if any) if:
 - (i) Repudiation/Moratorium is an applicable Credit Event in relation to any Reference Entity; and
 - (ii) the Issuer delivers an Extension Notice under sub-paragraph (c) of the definition thereof.

"Extension Notice" means a notice from the Issuer to the Calculation Agent and the Noteholders giving notice of the following in relation to a Reference Entity:

- (a) without prejudice to sub-paragraphs (b), (c) or (d) below, that a Credit Event has occurred or may occur on or prior to the Scheduled Maturity Date; or
- (b) that a Potential Failure to Pay has occurred or may occur on or prior to the Scheduled Maturity Date; or

- (c) that a Potential Repudiation/Moratorium has occurred or may occur on or prior to the Scheduled Maturity Date (a "**Repudiation/Moratorium Extension Notice**") and, unless "Notice of Publicly Available Information" is specified as not applicable in the related Final Terms, attaching a Notice of Publicly Available Information. 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 be continuing on the date the Repudiation/Moratorium Extension Notice is effective; or
- (d) that a Credit Event Resolution Request Date has occurred or may occur on or prior to the last day of the Notice Delivery Period.

"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 the 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.

If an occurrence that would constitute a Failure to Pay (a) is a result of a redenomination that occurs as a result of action taken by a Governmental Authority which is of general application in the jurisdiction of such Governmental Authority and (b) a freely available market rate of conversion existed at the time of the redenomination, then such occurrence will be deemed not to constitute a Failure to Pay unless the redenomination itself constituted a reduction in the rate or amount of interest, principal or premium payable (as determined by reference to such freely available market rate of conversion) at the time of such redenomination.

"Fallback Settlement Event" means:

- (a) an Auction Cancellation Date occurs;
- (b) a No Auction Announcement Date occurs (and in circumstances where the No Auction Announcement Date occurs pursuant to sub-paragraph (b) or (c)(ii) of the definition thereof, the Issuer has not exercised the Movement Option);
- (c) a DC Credit Event Question Dismissal occurs; or
- (d) an Event Determination Date has occurred pursuant to sub-paragraph (a) of the definition of Event Determination Date and no Credit Event Resolution Request Date has occurred on or prior to the date falling three CLN Business Days after such Event Determination Date.

"Fallback Settlement Method" means Cash Settlement or Physical Settlement, as specified in the Final Terms.

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

"Final List Publication Date" means, in respect of a Credit Event, the date on which the last Final List in respect of such Credit Event, if any, is published by ISDA.

"Final Price" means

- (a) the price specified in the Final Terms as being the Final Price with respect to a Reference Entity; or
- (b) subject to (a) above, the price of the Reference Obligation or, as applicable, any Valuation Obligation, Deliverable Obligation or Undeliverable Obligation, expressed as a percentage of its Outstanding Principal Balance or Due and Payable Amount (or, as the case may be, the Outstanding Amount of the relevant Prior Deliverable Obligation or Package Observable Bond immediately prior to the Asset Package Credit Event), as applicable, determined in accordance with:

- (i) the highest Quotation obtained by the Calculation Agent (or otherwise in accordance with the definition of "Quotation") with respect to the Relevant Valuation Date (or, in the case of a relevant Asset other than Borrowed Money and other than a Non-Transferable Instrument or Non-Financial Instrument, such other market value of the relevant Asset as may be determined by the Calculation Agent in a commercially reasonable manner); or
- (ii) if the relevant Asset is a Non-Transferable Instrument or Non-Financial Instrument, the relevant Asset Market Value.

For the avoidance of doubt, if the Asset Package is or is deemed to be zero, the Final Price shall be zero.

"First Ranking Interest" means an Interest which is expressed as being "first ranking", "first priority", or similar (**"First Ranking"**) in the document creating such Interest (notwithstanding that such Interest may not be First Ranking under any insolvency laws of any relevant insolvency jurisdiction of the LPN Issuer).

"Fixed Cap" means, with respect to a Guarantee, a specified numerical limit or cap on the liability of the Reference Entity in respect of some or all payments due under the Underlying Obligation, **provided that** a Fixed Cap shall exclude a limit or cap determined by reference to a formula with one or more variable inputs (and for these purposes, the outstanding principal or other amounts payable pursuant to the Underlying Obligation shall not be considered to be variable inputs).

"Full Quotation" means each firm bid quotation obtained from a CLN Dealer at the Valuation Time, to the extent reasonably practicable, for an amount of the Reference Obligation, Deliverable Obligation or, as the case may be, Undeliverable Obligations with an Outstanding Principal Balance or Due and Payable Amount (as applicable) 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, in each case, as of both the NOPS Effective Date and the Delivery Date or the Relevant Valuation Date (as applicable). 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 of "Fully Transferable Obligation".

"Further Subordinated Obligation" means, if the Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation, any obligation which is Subordinated thereto.

"Governmental Authority" means:

- (a) any *de facto* or *de jure* government (or any agency, instrumentality, ministry or department thereof);
- (b) any court, tribunal, administrative or other governmental, inter-governmental or supranational body;
- (c) any authority or any other entity (private or public) either designated as a resolution authority or charged with the regulation or supervision of the financial markets (including a central bank) of the Reference Entity or some or of all of its obligations; or
- (d) any other authority which is analogous to any of the entities specified in sub-paragraphs (a) to (c) above.

"Governmental Intervention" means that, 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 as a result of action taken or an announcement made by a Governmental Authority pursuant to, or by means of, a restructuring and resolution law or regulation (or any other similar

law or regulation), in each case, applicable to the Reference Entity in a form which is binding, irrespective of whether such event is expressly provided for under the terms of such Obligation:

- (a) any event which would affect creditors' rights so as to cause:
 - (i) a reduction in the rate or amount of interest payable or the amount of scheduled interest accruals (including by way of redenomination);
 - (ii) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
 - (iii) a postponement or other deferral of a date or dates for either (I) the payment or accrual of interest, or (II) the payment of principal or premium; or
 - (iv) a change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation;
- (b) an expropriation, transfer or other event which mandatorily changes the beneficial holder of the Obligation;
- (c) a mandatory cancellation, conversion or exchange; or
- (d) any event which has an analogous effect to any of the events specified in sub-paragraphs (a) to (c) above.

For purposes of the above, the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Guarantee.

"Grace Period" means:

- (a) subject to sub-paragraphs (b) and (c), the applicable grace period with respect to payments under and in accordance with 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 applicable in relation to the Reference Entity, a Potential Failure to Pay has occurred on or prior to the Scheduled Maturity Date and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Maturity Date, the Grace Period shall be deemed to be the lesser of such grace period and the period specified as such in the applicable Final Terms or, if no period is specified, thirty 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 relation to the relevant Reference Entity in the Final Terms, such deemed Grace Period shall expire no later than the Scheduled Maturity Date.

"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 or, if a place or places are not so specified, (a) if the Obligation Currency is the euro, a TARGET Settlement Day, or (b) otherwise, a day on which commercial banks and foreign exchange markets are generally open to settle payments in the principal financial city in the jurisdiction of the Obligation Currency.

"Grace Period Extension Date" means, if:

- (a) Grace Period Extension is specified as applicable in relation to a Reference Entity in the Final Terms; and
- (b) a Potential Failure to Pay occurs on or prior to the Scheduled Maturity Date, the date that is the number of days in the Grace Period after the date of such Potential Failure to Pay.

"Guarantee" means a Relevant Guarantee or a guarantee which is the Reference Obligation.

"Hedge Disruption Event" means the Issuer and/or any of its Affiliates has not received the relevant Deliverable Obligations and/or cash under the terms of a Hedge Transaction.

"Hedge Transaction" means any transaction or trading position entered into or held by the Issuer and/or any of its Affiliates to hedge, directly or indirectly, the Issuer's obligations or positions (whether in whole or in part) in respect of the Credit Linked Notes.

"Hedging Disruption" means that the Issuer and/or any of its Affiliates is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) or any futures or options contract(s) it deems necessary to hedge its exposure with respect to the Notes, or (B) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s) or any futures or options contract(s) or any relevant hedge positions relating to the Notes.

"Increased Cost of Hedging" means that the Issuer and/or any of its respective Affiliates would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, equity price risk, foreign exchange risk and interest rate risk) of the Issuer issuing and performing its obligations with respect to the Notes, or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s), **provided that** any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its respective Affiliates shall not be deemed an Increased Cost of Hedging.

"Indicative Quotation" shall mean each bid quotation obtained from a CLN Dealer at the Valuation Time for (to the extent reasonably practicable) an amount of the Undeliverable Obligation equal to the Quotation Amount, which reflects such CLN Dealer's reasonable assessment of the price of such Undeliverable Obligation based on such factors as such CLN Dealer may consider relevant, which may include historical prices and recovery rates.

"Interest" means, for the purposes of the definition of "First Ranking Interest", a charge, security interest or other type of interest having similar effect.

"ISDA" means the International Swaps and Derivatives Association, Inc. (or any successor thereto).

"Largest Asset Package" means, in respect of a Prior Deliverable Obligation or a Package Observable Bond, as the case may be, the package of Assets for which the greatest amount of principal has been or will be exchanged or converted (including by way of amendment), as determined by the Calculation Agent by reference to Eligible Information. If, in the sole determination of the Calculation Agent, this cannot be reasonably determined, the Largest Asset Package will be the package of Assets with the highest immediately realizable value, determined by the Calculation Agent in accordance with the methodology, if any, determined by the relevant Credit Derivatives Determinations Committee.

"Latest Maturity Restructured Bond or Loan" has the meaning given to it in the definition of Restructuring Maturity Limitation Date.

"Latest Permissible Physical Settlement Date" means, in respect of a Potential Cash Settlement Event, in respect of a Deliverable Obligation comprised of Loans where "Partial Cash Settlement of Consent Required Loan", "Partial Cash Settlement of Assignable Loans" or "Partial Cash Settlement of Participations" is specified as applicable in respect of the relevant Reference Entity, the date that is 15 CLN Business Days after the Physical Settlement Date, or in respect of any other Potential Cash Settlement Event, 30 calendar days following the Physical Settlement Date.

"Legacy Reference Entity" has the meaning given to such term in Credit Linked Condition 6.3(b) above.

"Limitation Date" means, in respect of a Credit Event that is a Restructuring, 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, 7.5 years, 10 years (the **"10-year Limitation Date"**), 12.5 years, 15 years or 20 years, as applicable. Limitation Dates shall not be subject to adjustment in accordance with any Business Day Convention.

"Listed" means an obligation that is quoted, listed or ordinarily purchased and sold on an exchange and, if specified as applicable to an Obligation Category, the Listed Obligation Characteristic shall be applicable only in respect of obligations within that Obligation Category that are Bonds or, if specified as applicable to a Deliverable Obligation Category, the Listed Deliverable Obligation Characteristic shall be applicable only in respect of obligations within that Deliverable Obligation Category that are Bonds.

"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.

"London Business Day" means a day on which commercial banks and foreign exchange markets are generally open to settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London.

"LPN" means any bond issued in the form of a loan participation note.

"LPN Issuer" means, in respect of any LPN, the entity which issued the relevant LPN.

"LPN Reference Obligation" means each Reference Obligation other than any Additional Obligation which is issued for the sole purpose of providing funds to the LPN Issuer to finance an Underlying Loan. For the avoidance of doubt, any change to the issuer of an LPN Reference Obligation in accordance with its terms shall not prevent such LPN Reference Obligation from constituting a Reference Obligation.

"Maximum Maturity" means an obligation that has a remaining maturity of not greater than the period specified in the relevant Final Terms (or if no such period is specified, thirty years).

"Merger Event" means that at any time during the period from (and including) the Trade Date to (but excluding) the Scheduled Maturity Date the Issuer or a Reference Entity consolidates or amalgamates with, or merges into, or transfers all or substantially all of its assets to the other or the Issuer and a Reference Entity become Affiliates.

"Merger Event Redemption Date" means the date specified as such in the applicable Final Terms.

"Minimum Quotation Amount" means the amount specified as such in the applicable Final Terms (or its equivalent in the relevant Obligation Currency) or, if no such amount is so specified, the lower of:

- (a) U.S.\$1,000,000 (or its equivalent in the relevant Obligation Currency); and
- (b) the Quotation Amount.

"M(M)R Restructuring" means a Restructuring Credit Event in respect of which either "Mod R" or "Mod Mod R" is specified as applicable in the relevant Final Terms.

"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 Maturity Date. Subject to the foregoing, if the Scheduled Maturity Date is later than the 10-year Limitation Date, the Modified Restructuring Maturity Limitation Date will be the Scheduled Maturity Date.

"Movement Option" means, with respect to an M(M)R Restructuring to which a No Auction Announcement Date has occurred pursuant to sub-paragraphs (b) or (c)(ii) of the definition of "No Auction Announcement Date", the option of the Issuer to apply to the Credit Linked Notes, for purposes of settlement, the Parallel Auction Settlement Terms, if any, for purposes of which the Permissible Deliverable Obligations are more limited than the Deliverable Obligations that the Issuer could specify in any Notice of Physical Settlement (**provided that** if more than one such set of Parallel Auction Settlement Terms are published, the Parallel Auction Settlement Terms specifying the greatest number of such Permissible Deliverable Obligations shall apply). The Issuer will determine which Parallel Auction Settlement Terms, if any, apply with respect to the Credit Linked Notes. If the Issuer does not notify the Calculation Agent of its intention to exercise the Movement Option on or prior to the day falling one CLN Business Day following the Exercise Cut-off Date (or such other date as the relevant Credit Derivatives Determinations Committee has Resolved), the Credit Linked Notes will be settled in accordance with the Fallback Settlement Method.

"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 sixty-six and two-thirds 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 this requirement.

"N" or **"Nth"** means, where the relevant Final Terms specify that "Nth-to-Default CLN" is applicable, such number as may be specified in such Final Terms.

"Next Currency Fixing Time" means 4.00 p.m. (London time) on the London Business Day immediately following the date on which the Notice of Physical Settlement or relevant NOPs Amendment Notice, as applicable, is effective or, as applicable, the date of selection of Valuation Obligations.

"No Auction Announcement Date" means, with respect to any Reference Entity and a Credit Event, the date on which the DC Secretary first publicly announces that:

- (a) no Transaction Auction Settlement Terms and, if applicable, no Parallel Auction Settlement Terms will be published;
- (b) following the occurrence of an M(M)R Restructuring, no Transaction Auction 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 with respect to such Reference Entity and Credit Event following a prior public announcement by the DC Secretary to the contrary, in circumstances where either (i) no Parallel Auction will be held, or (ii) one or more Parallel Auctions will be held.

"Non-Capped Reference Entity" means a Reference Entity which is not a Capped Reference Entity.

"Non-Conforming Reference Obligation" means a Reference Obligation which is not a Conforming Reference Obligation.

"Non-Conforming Substitute Reference Obligation" means an obligation which would be a Deliverable Obligation determined in accordance with sub-paragraph (a) of the definition of 'Deliverable Obligation' on the Substitution Date but for one or more of the same reasons which resulted in the Reference Obligation constituting a Non-Conforming Reference Obligation on the date it was issued or incurred and/or immediately prior to the Substitution Event Date (as applicable).

"Non-Financial Instrument" means any Asset which is not of the type typically traded in, or suitable for being traded in, financial markets.

"Non-Standard Reference Obligation" means, in respect of a Reference Entity, the Original Non-Standard Reference Obligation specified for such Reference Entity or, if a Substitute Reference Obligation has been determined for such Original Non-Standard Reference Obligation, such Substitute Reference Obligation.

"Non-Transferable Instrument" means any Asset which is not capable of being transferred to institutional investors, excluding due to market conditions.

"NOPS Amendment Notice" means a notice from the Issuer to the Calculation Agent notifying it, 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).

"NOPS Cut-off Date" means, subject, where applicable, to Credit Linked Condition 2.5 (*Suspension of Obligations*):

- (a) subject to sub-paragraph (b) below, the later of:
 - (i) the thirtieth calendar day after the Event Determination Date; and
 - (ii) the tenth calendar day after either the date of the relevant DC Credit Event Announcement or of the relevant DC Credit Event Question Dismissal, if any (or, if the relevant Credit Event is an M(M)R Restructuring, the tenth calendar day after the Exercise Cut-off Date); or
- (b) if "Physical Settlement" is applicable pursuant to the Fallback Settlement Method in accordance with sub-paragraph (a) or (b) of the definition of 'Fallback Settlement Event' and:
 - (i) the relevant Credit Event is not an M(M)R Restructuring, the later of:
 - (A) the date determined pursuant to sub-paragraph (a)(i) above; and
 - (B) the thirtieth calendar day after the Auction Cancellation Date or the No Auction Announcement Date occurring pursuant to sub-paragraphs (a) or (c)(i) of the definition of 'No Auction Announcement Date', as applicable; or
 - (ii) the relevant Credit Event is an M(M)R Restructuring, either:
 - (A) the later of:
 - (I) the date determined pursuant to sub-paragraph (a)(i) above; and
 - (II) the thirtieth calendar day after:
 - (x) a No Auction Announcement Date occurring pursuant to sub-paragraph (a) of the definition of 'No Auction Announcement Date', if any;
 - (y) a No Auction Announcement Date occurring pursuant to sub-paragraph (c)(i) of the definition of 'No Auction Announcement Date', if any; or
 - (z) the Auction Cancellation Date, if any, as applicable; or
 - (B) the later of the Parallel Notice of Physical Settlement Date (or, if more than one should occur, the last Parallel Notice of Physical Settlement Date), and the Relevant City Business Day immediately following 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 the Movement Option; or
- (II) a No Auction Announcement Date occurs pursuant to sub-paragraph (c)(ii) of the definition of 'No Auction Announcement Date' and the Issuer has not exercised the Movement Option,

provided that in the case of sub-paragraphs (a)(ii) and (b) above, the relevant Credit Event Resolution Request Date, if any, occurred on or prior to the date described in sub-paragraph (a)(i) above and further **provided that** the NOPS Cut-off Date may be adjusted by the Calculation Agent using its discretion in order to match any Hedge Transaction.

"NOPS Effective Date" means the date on which an effective Notice of Physical Settlement or NOPS Amendment Notice, as the case may be, is delivered by the Issuer.

"Not Bearer" means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via Euroclear, Clearstream, Luxembourg or any other internationally recognised clearing system and, if specified as applicable to a Deliverable Obligation Category, the Not Bearer Deliverable Obligation Characteristic shall be applicable only in respect of obligations within that Deliverable Obligation Category that are Bonds.

"Not Domestic Currency" means any obligation that is payable in any currency other than the applicable Domestic Currency, **provided that** a Standard Specified Currency shall not constitute a Domestic Currency.

"Not Domestic Issuance" means any obligation other than an obligation that was issued (or reissued, as the case may be), or intended to be offered for sale primarily in the domestic market of the Reference Entity. Any obligation that is registered or, as a result of some other action having been taken for such purpose, is qualified for sale outside the domestic market of the Reference Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Reference Entity) shall be deemed not to be issued (or reissued, as the case may be), or intended to be offered for sale primarily in the domestic market of the Reference Entity.

"Not Domestic Law" means any obligation that is not governed by the applicable Domestic Law, **provided that** the laws of England and the laws of the State of New York shall not constitute a Domestic Law.

"Not Sovereign Lender" means any obligation that is not primarily owed to (A) a Sovereign or (B) any entity or organization established by treaty or other arrangement between two or more Sovereigns including, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development, which shall include, without limitation, obligations generally referred to as "Paris Club debt".

"Not Subordinated" means an obligation that is not Subordinated to (I) the Reference Obligation or (II) the Prior Reference Obligation, if applicable.

"Notice Delivery Date" means the first date on which both an effective Credit Event Notice and, unless "Notice of Publicly Available Information" is specified as not applicable in the relevant Final Terms, an effective Notice of Publicly Available Information, have been delivered by the Issuer to the Calculation Agent.

"Notice Delivery Period" means the period from and including the Trade Date to and including the date that is 15 CLN Business Days (or such other number of days as may be specified in the Final Terms) after the Extension Date.

"Notice of Physical Settlement" means a notice from the Issuer to the Calculation Agent and Noteholders that (a) confirms that the Issuer intends to settle the Notes and requires performance in accordance with Credit Linked Condition 4 (*Physical Settlement*), (b) contains a detailed

description of each Deliverable Obligation that the Issuer intends to Deliver to Noteholders, including, 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 (c) specifies the Outstanding Principal Balance or Due and Payable Amount, as applicable, or the equivalent amount in the Settlement Currency (in each case, the "**Outstanding Amount**") and, if different, the face amount, of each such Deliverable Obligation and the aggregate Outstanding Amount of all Deliverable Obligations specified in the Notice of Physical Settlement that Issuer intends to Deliver to Noteholders (the "**Aggregate Outstanding Amount**").

"Notice of Publicly Available Information" means an irrevocable notice from the Issuer (which may be by telephone) 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. The notice must contain a copy, or a description in reasonable detail, of the relevant Publicly Available Information. If Notice of Publicly Available Information is specified as applicable in the Final Terms and 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.

"Notional Credit Derivative Transaction" means, with respect to any Credit Linked Note and a Reference Entity, a hypothetical market standard credit default swap transaction entered into by the Issuer, as Buyer (as defined in the Credit Derivatives Definitions), incorporating the terms of the Credit Derivatives Definitions and under the terms of which:

- (a) the "Trade Date" is the Trade Date, if specified in the Final Terms and if not, the Issue Date;
- (b) the "Scheduled Termination Date" is the Scheduled Maturity Date;
- (c) the "Reference Entit(y)(ies)" thereunder is(are) such Reference Entit(y)(ies);
- (d) the applicable "Transaction Type", if any, is the Transaction Type(s) for the purposes of such Credit Linked Note; and
- (e) the remaining terms as to credit linkage are consistent with the terms of such Credit Linked Note as it relates to such Reference Entity.

"Nth-to-Default CLN" means any First-to-Default CLN or any other nth-to-default Credit Linked Notes where the Issuer purchases credit protection from the Noteholders in respect of two or more Reference Entities, as specified in the Final Terms.

"Obligation" means:

- (a) any obligation of the Reference Entity (either directly or as provider of a Relevant Guarantee) described by the applicable Obligation Category and having each of the applicable Obligation Characteristics, if any, in each case, immediately prior to the relevant Credit Event, as selected by the Calculation Agent in its sole discretion; and
- (b) the Reference Obligation,

in each case, unless it is an Excluded Obligation.

"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 the Reference Entity under one or more Obligations.

"Obligation Category" means Payment, Borrowed Money, Reference Obligation Only, Bond, Loan, or Bond or Loan, only one of which shall be specified in relation to a Reference Entity.

"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 relation to a Reference Entity.

"Obligation Currency" means the currency or currencies in which an 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 (howsoever described), other than a failure to make any required payment, in respect of the Reference Entity under one or more Obligations.

"Original Bonds" means any Bonds comprising part of the relevant Deliverable Obligations.

"Original Loans" means any Loans comprising part of the relevant Deliverable Obligations.

"Original Non-Standard Reference Obligation" means, in relation to a Reference Entity, the obligation of such Reference Entity (either directly or as provider of a guarantee) which is specified as the Reference Obligation for such Reference Entity in the applicable Final Terms (if any is so specified) **provided that**, if an obligation is not an obligation of such Reference Entity, such obligation will not constitute a valid Original Non-Standard Reference Obligation for purposes of the Reference Entity (other than for the purposes of determining the Seniority Level and for the "Not Subordinated" Obligation Characteristic or "Not Subordinated" Deliverable Obligation Characteristic) unless (a) expressed otherwise in the applicable Final Terms, or (b) Reference Obligation Only Trade is specified as applicable in the Final Terms for such Reference Entity.

"Outstanding Amount" means the Outstanding Principal Balance or Due and Payable Amount, as applicable.

"Outstanding Principal Balance" means in relation to an obligation an amount calculated as follows:

- (a) first, by determining, in respect of the obligation, the amount of the Reference Entity's principal payment obligations and, where applicable in accordance with Credit Linked Condition 2.6 (*Accrued Interest on Deliverable Obligations, Valuation Obligations*), the Reference Entity's accrued but unpaid interest payment obligations (which, in the case of a Guarantee will be the lower of (A) the Outstanding Principal Balance (including accrued but unpaid interest, where applicable) of the Underlying Obligation (determined as if references to the Reference Entity were references to the Underlying Obligor) and (B) the amount of the Fixed Cap, if any);
- (b) second, by subtracting all or any portion of such amount which, pursuant to the terms of the obligation, (A) is subject to any Prohibited Action, or (B) may otherwise be reduced as a result of the effluxion of time or the occurrence or non-occurrence of an event or circumstance (other than by way of (I) payment or (II) a Permitted Contingency) (the amount determined in sub-paragraph (i) above less any amounts subtracted in accordance with sub-paragraph (ii) above, the "Non-Contingent Amount"); and
- (c) third, by determining the Quantum of the Claim, which shall then constitute the Outstanding Principal Balance,

in each case, determined:

- (A) unless otherwise specified, in accordance with the terms of the obligation in effect on either (I) the NOPS Effective Date (or if the terms of the obligation are amended after such date but on or prior to the Delivery Date, the Delivery Date), or (II) the Relevant Valuation Date, as applicable; and
- (B) with respect to the Quantum of the Claim only, in accordance with any applicable laws (insofar as such laws reduce or discount the size of the claim to reflect the original issue price or accrued value of the obligation).

"Package Observable Bond" means, in respect of a Reference Entity which is a Sovereign, any obligation (a) which is identified as such and published by ISDA on its website at www.isda.org from time to time (or any successor website thereto) or by a third party designated by ISDA on its website from time to time and (b) which fell within the definition of Deliverable Obligation set out in sub-paragraph (a) or (b) of the definition of Deliverable Obligation, in each case, immediately preceding the date on which the relevant Asset Package Credit Event was legally effective,

"Parallel Auction" means "Auction" as defined in any relevant Parallel Auction Settlement Terms.

"Parallel Auction Cancellation Date" means "Auction Cancellation Date" as defined in any relevant Parallel Auction Settlement Terms.

"Parallel Auction Settlement Terms" means, following the occurrence of an M(M)R Restructuring, any Credit Derivatives Auction Settlement Terms published by ISDA with respect to such M(M)R Restructuring, and for which the Deliverable Obligation Terms are the same as the Deliverable Obligation Provisions applicable to a Notional Credit Derivative Transaction and for which such Notional Credit Derivative Transaction would not be an Auction Covered Transaction.

"Parallel Notice of Physical Settlement Date" means 'Notice of Physical Settlement Date' as defined in the relevant Parallel Auction Settlement Terms.

"Partial Cash Settlement Amount" means, where the applicable Settlement Method is Physical Settlement, an amount determined by the Calculation Agent equal to the aggregate, for each Undeliverable Obligation, of:

- (a) the Final Price of such Undeliverable Obligations multiplied by;
- (b) the relevant Outstanding Principal Balance, Due and Payable Amount or Currency Amount, as applicable, of such Undeliverable Obligation specified in the relevant Notice of Physical Settlement or NOPS Amendment Notice (as applicable).

"Partial Cash Settlement Date" means the date falling three CLN Business Days (unless otherwise specified in relation to a Reference Entity) after the calculation of the Final Price.

"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 specified as such in the applicable Final Terms or its equivalent in the relevant Obligation Currency (or, if no such amount is specified, USD 1,000,000 or its equivalent in the relevant Obligation Currency as determined by the Calculation Agent in a commercially reasonable manner) in either case as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable.

"Permissible Deliverable Obligations" has the meaning set forth in the relevant Credit Derivatives Auction Settlement Terms, being either all or the portion of the Deliverable Obligations included on the Final List pursuant to the Deliverable Obligation Terms that are applicable to that Auction.

"Permitted Contingency" means, with respect to an obligation, any reduction to the Reference Entity's payment obligations:

- (a) as a result of the application of:
 - (i) any provisions allowing a transfer, pursuant to which another party may assume all of the payment obligations of the Reference Entity;
 - (ii) provisions implementing the Subordination of the obligation;
 - (iii) provisions allowing for a Permitted Transfer in the case of a Qualifying Guarantee (or provisions allowing for the release of the Reference Entity from its payment obligations in the case of any other Guarantee);

- (iv) any Solvency Capital Provisions, if "Subordinated European Insurance Terms" is specified as applicable in the relevant Final Terms in respect of the Reference Entity; or
- (v) provisions which permit the Reference Entity's obligations to be altered, discharged, released or suspended in circumstances which would constitute a Governmental Intervention, if "Financial Reference Entity Terms" is specified as applicable in the relevant Final Terms in respect of the Reference Entity; or
- (b) which is within the control of the holders of the obligation or a third party acting on their behalf (such as an agent or trustee) in exercising their rights under or in respect of such obligation.

"Permitted Transfer" means, with respect to a Qualifying Guarantee, a transfer to and the assumption by any single transferee of such Qualifying Guarantee (including by way of cancellation and execution of a new guarantee) on the same or substantially the same terms, in circumstances where there is also a transfer of all (or substantially all) of the assets of the Reference Entity to the same single transferee.

"Physical Settlement Adjustment" means a reduction to the Outstanding Amount of Deliverable Obligations specified in a Notice of Physical Settlement or NOPS Amendment Notice, by an amount of Deliverable Obligations having a liquidation value equal to the Unwind Costs (only if positive) rounded upwards to the nearest whole denomination of a Deliverable Obligation, such amount to be determined by the Calculation Agent. For the avoidance of doubt, if the applicable Final Terms specifies that Unwind Costs are not applicable, the Physical Settlement Adjustment shall be zero.

"Physical Settlement Adjustment Rounding Amount" means an amount (if any) equal to the difference between the absolute value of the Physical Settlement Adjustment and the liquidation value of such whole number of Deliverable Obligations as are not required to be Delivered by the Issuer by way of compensation for any Unwind Costs.

"Physical Settlement Date" means the last day of the longest Physical Settlement Period following the NOPS Cut-off Date as the Calculation Agent may designate acting commercially reasonably. If all Deliverable Obligations specified in the Notice of Physical Settlement or any NOPS Amendment Notice, as applicable are Delivered on or before the day so designated, the date that Delivery of such Deliverable Obligations is completed shall be deemed to be the Physical Settlement Date.

"Physical Settlement Matrix" means the "Credit Derivatives Physical Settlement Matrix", as most recently amended and supplemented as at the Trade Date (unless otherwise specified in respect of a Reference Entity) and as published by ISDA on its website at www.isda.org (or any successor website thereto), **provided that** any reference therein to:

- (a) "Confirmation" shall be deemed to be a reference to the applicable Final Terms;
- (b) "Floating Rate Payer Calculation Amount" shall be deemed to be a reference to the Specified Currency;
- (c) "Section 3.3 of the Definitions" shall be deemed to be a reference to "Credit Event Notice" as defined in these Credit Linked Conditions;
- (d) "Section 3.9" shall be deemed to be a reference to Credit Linked Condition 8.1; and
- (e) "Section 8.6" shall be deemed to be a reference to "Physical Settlement Period" as defined in these Credit Linked Conditions.

"Physical Settlement Period" means, subject to Credit Linked Condition 2.4, the number of CLN Business Days specified as such in relation to a Reference Entity or, if a number of CLN 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 CLN Business Days for settlement in accordance with then current market practice of such Deliverable

Obligation, as determined by the Calculation Agent ***provided that*** if the Issuer has notified the Calculation Agent and Noteholders that it intends to Deliver an Asset Package in lieu of a Prior Deliverable Obligation or a Package Observable Bond, the Physical Settlement Period shall be thirty CLN Business Days.

"Post Dismissal Additional Period" means the period from and including the date of the DC Credit Event Question Dismissal to and including the date that is sixteen 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)).

"Potential Cash Settlement Event" means an event beyond the control of the Issuer (including, without limitation, failure of the relevant clearance system; or the failure to obtain any requisite consent with respect to the Delivery of Loans or the non-receipt of any such requisite consents or any relevant participation (in the case of Direct Loan Participation) is not effected; or due to any law, regulation or court order, but excluding markets conditions or any contractual, statutory and/or regulatory restriction relating to the relevant Deliverable Obligation, or due to the failure of the Noteholder to give the Issuer details of accounts for settlement; or a failure of the Noteholder to open or procure the opening of such accounts or if the Noteholders are unable to accept Delivery of the portfolio of Deliverable Obligations for any other reason).

"Potential Failure to Pay" means the failure by the 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, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations.

"Potential Repudiation/Moratorium" means the occurrence of an event described in subparagraph (a) of the definition of "Repudiation/Moratorium".

"Prior Deliverable Obligation" means:

- (a) if a Governmental Intervention has occurred (whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement), any obligation of the Reference Entity which (i) existed immediately prior to such Governmental Intervention, (ii) was the subject of such Governmental Intervention and (iii) fell within the definition of Deliverable Obligation set out in sub paragraph (a) or (b) of the definition of 'Deliverable Obligation', in each case, immediately preceding the date on which such Governmental Intervention was legally effective; or
- (b) if a Restructuring which does not constitute a Governmental Intervention has occurred in respect of the Reference Obligation (whether or not such event is specified as the applicable Credit Event in the Credit Event Notice or the DC Credit Event Announcement), such Reference Obligation, if any.

"Prior Reference Obligation" means, in circumstances where there is no Reference Obligation applicable to a Reference Entity, (I) the Reference Obligation most recently applicable thereto, if any, and otherwise, (II) the obligation specified in the relevant Final Terms as the Reference Obligation, if any, if such Reference Obligation was redeemed on or prior to the Trade Date and otherwise, (III) any unsubordinated Borrowed Money obligation of the Reference Entity.

"Private-side Loan" means a Loan in respect of which the documentation governing its terms is not publicly available or capable of being made public without violating a law, agreement, understanding or other restriction regarding the confidentiality of such information.

"Prohibited Action" means 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') or right of setoff by or of the Reference Entity or any applicable Underlying Obligor.

"Public Source" means each source of Publicly Available Information specified as such in the applicable Final Terms (or, if no such source is specified in the Final Terms, each of Bloomberg, Reuters, Dow Jones, Newswires, The Wall Street Journal, The New York Times, Nihon Keizai Shimbun, Asahi Shimbun, Yomiuri Shimbun, Financial Times, La Tribune, Les Echos, The

Australian Financial Review and Debtwire (and successor publications), the main source(s) of business news in the country in which the Reference Entity is organised and any other internationally recognised published or electronically displayed news sources).

"Publicly Available Information" means:

- (a) 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 Repudiation/Moratorium Extension Notice have occurred and which:
 - (i) has been published in or on not less than two Public Sources, regardless of whether the reader or user thereof pays a fee to obtain such information **provided that**, if the Issuer, the Calculation Agent or any of their respective 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 the Calculation Agent or the relevant Affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent, facility agent or agent bank (or any equivalent role) for an Obligation;
 - (ii) is information received from or published by (A) a Reference Entity (or for a Reference Entity which is a Sovereign any agency, instrumentality, ministry, department or other authority thereof acting in a governmental capacity (including, without limiting the foregoing, the central bank) of such Sovereign) or (B) a trustee, fiscal agent, administrative agent, clearing agent, paying agent, facility agent or agent bank for an Obligation; or
 - (iii) is information contained in any order, decree, notice, petition or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body,

provided that where any information of the type described in sub-paragraphs (ii) or (iii) above is not publicly available, it can only constitute Publicly Available Information if it can be made public without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information.

- (b) In relation to any information of any type described in sub-paragraphs (a)(ii) or (iii) above, the Calculation Agent may assume that such information has been disclosed to it without violating any law, agreement, understanding or other restriction regarding the confidentiality of such information and that the party delivering such information 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 party receiving such information.
- (c) In relation to a Repudiation/Moratorium Credit Event, Publicly Available Information must relate to the events described in both sub-paragraphs (a)(i) and (ii) of the definition of Repudiation/Moratorium.
- (d) Publicly Available Information need not state:
 - (i) in relation to the definition of "Downstream Affiliate", the percentage of Voting Shares owned, directly or indirectly, by the Reference Entity; and
 - (ii) that such occurrence:
 - (A) has met the Payment Requirement or Default Requirement;
 - (B) is the result of exceeding any applicable Grace Period; or
 - (C) has met the subjective criteria specified in certain Credit Events.

"Qualifying Affiliate Guarantee" means a Qualifying Guarantee provided by the Reference Entity in respect of an Underlying Obligation of a Downstream Affiliate of the Reference Entity.

"Qualifying Guarantee" means a guarantee evidenced by a written instrument (which may include a statute or regulation), pursuant to which the Reference Entity irrevocably agrees, undertakes, or is otherwise obliged to pay all amounts of principal and interest (except for amounts which are not covered due to the existence of a Fixed Cap) due under an Underlying Obligation for which the Underlying Obligor is the obligor, by guarantee of payment and not by guarantee of collection (or, in either case, any legal arrangement which is equivalent thereto in form under the relevant governing law).

A Qualifying Guarantee shall not include any guarantee:

- (a) which is structured as a surety bond, financial guarantee insurance policy or letter of credit (or any legal arrangement which is equivalent thereto in form); or
- (b) pursuant to the terms applicable thereto, the principal payment obligations of the Reference Entity can be discharged, released, reduced, assigned or otherwise altered as a result of the occurrence or non-occurrence of an event or circumstance, in each case, other than:
 - (i) by payment;
 - (ii) by way of Permitted Transfer;
 - (iii) by operation of law;
 - (iv) due to the existence of a Fixed Cap; or
 - (v) due to:
 - (A) provisions permitting or anticipating a Governmental Intervention, if "Financial Reference Entity Terms" is specified as applicable in the relevant Final Terms in respect of the Reference Entity; or
 - (B) any Solvency Capital Provisions, if "Subordinated European Insurance Terms" is specified as applicable in the relevant Final Terms in respect of the Reference Entity.

If the guarantee or Underlying Obligation contains provisions relating to the discharge, release, reduction, assignment or other alteration of the principal payment obligations of the Reference Entity and such provisions have ceased to apply or are suspended at the time of the relevant determination, in accordance with the terms of such guarantee or Underlying Obligation, due to or following the occurrence of (I) a non-payment in respect of the guarantee or the Underlying Obligation, or (II) an event of the type described in the definition of 'Bankruptcy' in respect of the Reference Entity or the Underlying Obligor, then it shall be deemed for these purposes that such cessation or suspension is permanent, notwithstanding the terms of the guarantee or Underlying Obligation.

In order for a guarantee to constitute a Qualifying Guarantee:

- (x) the benefit of such guarantee must be capable of being Delivered together with the Delivery of the Underlying Obligation; and
- (y) if a guarantee contains a Fixed Cap, all claims to any amounts which are subject to such Fixed Cap must be capable of being Delivered together with the Delivery of such guarantee.

"Qualifying Participation Seller" means any participation seller that meets the requirements specified in relation to a Reference Entity. If no such requirements are specified, there shall be no Qualifying Participation Seller.

"Quantum of the Claim" means the lowest amount of the claim which could be validly asserted against the Reference Entity in respect of the Non-Contingent Amount if the obligation had become

redeemable, been accelerated, terminated or had otherwise become due and payable at the time of the relevant determination, **provided that** the Quantum of the Claim cannot exceed the Non-Contingent Amount.

"Quotation" means, in respect of a Reference Obligation, Deliverable Obligation, Valuation Obligation or Undeliverable Obligation, as the case may be, each Full Quotation and the Weighted Average Quotation obtained and expressed as a percentage of its Outstanding Principal Balance or Due and Payable Amount, as applicable, with respect to a Relevant Valuation Date in the manner that follows:

- (a) The Calculation Agent shall attempt to obtain Full Quotations with respect to each Relevant Valuation Date from five or more CLN Dealers. If the Calculation Agent is unable to obtain two or more such Full Quotations on the same CLN Business Day within three CLN Business Days of a Relevant Valuation Date, then on the next following CLN Business Day (and, if necessary, on each CLN Business Day thereafter until the tenth CLN Business Day following the Relevant Valuation Date) the Calculation Agent shall attempt to obtain Full Quotations from five or more CLN 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 CLN Business Day on or prior to the tenth CLN Business Day following the applicable Relevant Valuation Date, the Quotations shall be deemed to be any Full Quotation obtained from a CLN Dealer at the Valuation Time on such tenth CLN Business Day or, if no Full Quotation is obtained, the weighted average of any firm quotations for the Reference Obligation, Deliverable Obligation, Valuation Obligation or Undeliverable Obligation, as applicable, obtained from CLN Dealers at the Valuation Time on such tenth CLN 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.

"Quotation Amount" means:

- (a) with respect to a Reference Obligation or Valuation Obligation, the amount specified in relation to a Reference Entity (which may be specified by reference to an amount in a currency or by reference to the Representative Amount) or, if no amount is so specified, the Reference Entity Notional 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);
- (b) with respect to each type or issue of Deliverable Obligation to be Delivered on or prior to the Physical Settlement Date, an amount equal to the Outstanding Principal Balance or Due and Payable Amount (or, in either case, its equivalent in the relevant Obligation Currency as calculated in the same manner as (a) above) of such Deliverable Obligation; and
- (c) with respect to each type or issue of Undeliverable Obligation, an amount equal to the Outstanding Principal Balance or Due and Payable Amount (or, in either case, its equivalent in the relevant Obligation Currency as calculated in the same manner as (a) above) of such Undeliverable Obligation.

"Reference Entity" or **"Reference Entities"** means the reference entity or reference entities specified in the Final Terms. Any Successor to a Reference Entity either:

- (a) identified by the Calculation Agent in accordance with the definition of "Successor" on or following the Trade Date; or
- (b) identified pursuant to a DC Resolution in respect of a Successor Resolution Request Date and publicly announced by the DC Secretary on or following the Trade Date,

shall, in each case, with effect from the Succession Date, be the Reference Entity for the Credit Linked Notes, as the terms of which may be modified pursuant to the provisions described in Credit Linked Condition 6.

"Reference Entity Notional Amount" means in respect of any Reference Entity, the amount in which the Issuer has purchased credit protection in respect of such Reference Entity, as set out in the Final Terms (or, if no such amount is specified, the Aggregate Nominal Amount of the Notes divided by the number of Reference Entities), subject to Credit Linked Condition 6.

"Reference Obligation" means the Standard Reference Obligation, if any, unless:

- (a) "Standard Reference Obligation" is specified as not applicable in the Final Terms in respect of the Reference Entity, in which case the Reference Obligation will be the Non-Standard Reference Obligation, if any; or
- (b) if **"Standard Reference Obligation"** is specified as applicable in the relevant Final Terms in respect of the Reference Entity (or no election is specified in the relevant Final Terms),
 - (ii) there is no Standard Reference Obligation and (iii) a Non-Standard Reference Obligation is specified in the relevant Final Terms in respect of the Reference Entity, in which case the Reference Obligation will be (A) the Non-Standard Reference Obligation to but excluding the first date of publication of the Standard Reference Obligation and (B) the Standard Reference Obligation from such date onwards, **provided that** the Standard Reference Obligation that is published would have been eligible to be selected as a Substitute Reference Obligation.

"Reference Obligation Only" means any obligation that is a Reference Obligation and no Obligation Characteristics or, as the case may be, Deliverable Obligation Characteristics shall be applicable where Reference Obligation Only applies.

"Reference Obligation Only Trade" means a Reference Entity in respect of which (a) "Reference Obligation Only" is specified as the Obligation Category and the Deliverable Obligation Category for such Reference Entity in the applicable Final Terms and (b) "Standard Reference Obligation" is specified as not applicable for such Reference Entity in the applicable Final Terms.

"Relevant City Business Day" has the meaning given to that term in the DC Rules.

"Relevant Guarantee" means a Qualifying Affiliate Guarantee or, if "All Guarantees" is specified as applicable in the related Final Terms, a Qualifying Guarantee.

"Relevant Holder" means a holder of the Prior Deliverable Obligation or Package Observable Bond, as the case may be, with an Outstanding Principal Balance or Due and Payable Amount, as applicable, immediately prior to the relevant Asset Package Credit Event, equal to the Outstanding Amount specified in respect of such Prior Deliverable Obligation or Package Observable Bond in the Notice of Physical Settlement, or NOPS Amendment Notice, as applicable.

"Relevant Obligations" means the Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan" and which are outstanding immediately prior to the Succession Date (or, if there is a Steps Plan, immediately prior to the legally effective date of the first succession), **provided that:**

- (i) any Bonds or Loans outstanding between the Reference Entity and any of its Affiliates, or held by the Reference Entity, shall be excluded;
- (ii) if there is a Steps Plan, the Calculation Agent shall, for purposes of the determination required to be made under sub-paragraph (a) of the definition of 'Successor', make the appropriate adjustments required to take account of any Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan" that are issued, incurred, redeemed, repurchased or cancelled from and including the legally effective date of the first succession to and including the Succession Date;
- (iii) if "Financial Reference Entity Terms" is specified as applicable in respect of the Reference Entity in the related Final Terms and Senior Transaction is applicable in respect of the

Reference Entity, the Relevant Obligations shall only include the Senior Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan"; and

- (iv) if "Financial Reference Entity Terms" is specified as applicable in respect of the Reference Entity in the related Final Terms and Subordinated Transaction is applicable in respect of the Reference Entity, Relevant Obligations shall exclude Senior Obligations and any Further Subordinated Obligations of the Reference Entity which fall within the Obligation Category "Bond or Loan", **provided that** if no such Relevant Obligations exist, "Relevant Obligations" shall have the same meaning as it would if "Senior Transaction" were applicable in respect of the Reference Entity.

"Relevant Valuation Date" means the Settlement Valuation Date or Valuation Date, as the case may be.

"Replaced Deliverable Obligation Outstanding Amount" means 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.

"Replacement Deliverable Obligation" means each replacement Deliverable Obligation that the Issuer will, subject to Credit Linked Condition 4, Deliver to the Noteholders in lieu of each original Deliverable Obligation which has not been Delivered as at the date of such NOPS Amendment Notice.

"Replacement Reference Entity" means an entity selected by the Calculation Agent acting in a commercially reasonable manner which is incorporated in the same geographical area, has the same Transaction Type as the Legacy Reference Entity and which is of a similar or better credit quality than the Legacy Reference Entity, as measured by Standard & Poor's Ratings Services and/or by Moody's Investors Service Ltd., at the date of the relevant succession **provided that** in selecting any Replacement Reference Entity, the Calculation Agent is under no obligation to the Noteholders, the Issuer or any other person and, **provided that** the Successor selected meets the criteria specified above, is entitled, and indeed will endeavour, to select the least credit-worthy of the Successors. In making any selection, the Calculation Agent will not be liable to account to the Noteholders, the Issuer 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.

"Representative Amount" means an amount that is representative for a single transaction in the relevant market and at the relevant time, such amount to be determined by the Calculation Agent.

"Repudiation/Moratorium" means the occurrence of both of the following events:

- (a) an authorised officer of the 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 Maturity Date:

- (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, 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.

"Repudiation/Moratorium Extension Notice" has the meaning given to such term in the definition of 'Extension Notice'.

"Resolve" has the meaning given to that term in the DC Rules, and **"Resolved"** and **"Resolves"** shall be interpreted accordingly.

"Restructured Bond or Loan" means an Obligation which is a Bond or Loan and in respect of which the relevant Restructuring has occurred.

"Restructuring" means:

- (a) that, 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 in a form that binds all holders of such Obligation, is agreed between the Reference Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by the Reference Entity or a Governmental Authority in a form that binds all holders of such Obligation (including, in each case, in respect of Bonds only, by way of an exchange), and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Credit Event Backstop Date and 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 (including by way of redenomination);
 - (ii) a reduction in the amount of principal or premium payable at redemption (including by way of redenomination);
 - (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 to any other Obligation; or
 - (v) any change in the currency of any payment of interest, principal or premium to any currency other than the lawful currency 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 in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole).
- (b) Notwithstanding the provisions of sub-paragraph (a) above, none of the following shall constitute a Restructuring:
 - (i) the payment in euros of interest, principal or premium 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 redenomination from euros into another currency, if (A) the redenomination occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority and (B) a freely available market rate of conversion between euros and such other currency existed at the time of such redenomination and there is no reduction in the rate or amount of interest, principal or premium

payable, as determined by reference to such freely available market rate of conversion;

- (iii) 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
- (iv) 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, **provided that** in respect of sub-paragraph (a)(v) above only, no such deterioration in the creditworthiness or financial condition of the Reference Entity is required where the redenomination is from euros into another currency and occurs as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

For the purposes of sub-paragraphs (a) and (b) above and the definition of 'Multiple Holder Obligation', the term Obligation shall be deemed to include Underlying Obligations for which the Reference Entity is acting as provider of a Guarantee. In the case of a 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.

If an exchange has occurred, the determination as to whether one of the events described under sub-paragraphs (a)(i) to (v) above has occurred will be based on a comparison of the terms of the Bond immediately prior to such exchange and the terms of the resulting obligations immediately following such exchange.

"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 Maturity Date **provided that**, 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 Maturity 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.

"Revised Currency Rate" means, with respect to a Replacement Deliverable Obligation specified in a NOPS Amendment Notice, the rate of conversion between the currency in which the Replaced Deliverable Obligation Outstanding Amount is denominated and the currency in which the Outstanding Amount of such Replacement Deliverable Obligation is denominated that is determined either:

- (a) by reference to the Currency Rate Source as at the Next Currency Fixing Time; or
- (b) if such rate is not available at such time, as the Calculation Agent shall determine in a commercially reasonable manner.

"Scheduled Maturity Date" means the date specified as such in the applicable Final Terms which shall not be subject to adjustment in accordance with any Business Day Convention unless otherwise specified in the applicable Final Terms.

"Senior Obligation" means any obligation which is not Subordinated to any unsubordinated Borrowed Money obligation of the Reference Entity.

"Senior Transaction" means a Reference Entity for which (a) the Reference Obligation or Prior Reference Obligation, as applicable, is a Senior Obligation, or (b) there is no Reference Obligation or Prior Reference Obligation.

"Seniority Level" means, with respect to an obligation of the Reference Entity, (a) "Senior Level" or "Subordinated Level" as specified in the relevant Final Terms, or (b) if no such seniority level is specified in the relevant Final Terms, "Senior Level" if the Original Non-Standard Reference Obligation is a Senior Obligation or "Subordinated Level" if the Original Non-Standard Reference Obligation is a Subordinated Obligation, failing which (c) "Senior Level".

"Settlement Currency" means the currency specified as such in the applicable Final Terms, or if no currency is so specified in the Final Terms, the Specified Currency.

"Settlement Method" means the settlement method specified as such in the Final Terms and if no Settlement Method is specified in the Final Terms, Auction Settlement.

"Settlement Valuation Date" means the date being three CLN Business Days prior to the Delivery Date **provided that** if a Notice of Physical Settlement or NOPS Amendment Notice (as applicable) is given or, as the case may be, changed at any time after the third CLN Business Day prior to the Physical Settlement Date, the Settlement Valuation Date shall be the date which is three CLN Business Days after such Notice of Physical Settlement is given.

"Single Reference Entity CLN" means Credit Linked Notes where the Issuer purchases credit protection from the Noteholders in respect of only one Reference Entity.

"Solvency Capital Provisions" means any terms in an obligation which permit the Reference Entity's payment obligations thereunder to be deferred, suspended, cancelled, converted, reduced or otherwise varied and which are necessary in order for the obligation to constitute capital resources of a particular tier.

"Sovereign" means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority acting in a governmental capacity (including without limiting the foregoing, the central bank) thereof.

"Sovereign Restructured Deliverable Obligation" means an Obligation of a Reference Entity which is a Sovereign (either directly or as provider of a Relevant Guarantee) (a) in respect of which a Restructuring that is the subject of the Credit Event Notice or DC Credit Event Announcement has occurred and (b) which fell within paragraph (a) of the definition of 'Deliverable Obligation' immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring.

"Sovereign Succession Event" means, with respect to a Reference Entity that is a Sovereign, an annexation, unification, secession, partition, dissolution, consolidation, reconstitution or other similar event.

"Specified Currency" means an obligation that is payable in the currency or currencies specified as such in the relevant Final Terms (or, if "Specified Currency" is specified in the relevant Final Terms and no currency is so specified, any Standard Specified Currency), **provided that** if the euro is a Specified Currency, "Specified Currency" shall also include an obligation that was previously payable in the euro, regardless of any redenomination thereafter if such redenomination occurred as a result of action taken by a Governmental Authority of a Member State of the European Union which is of general application in the jurisdiction of such Governmental Authority.

"SRO List" means the list of Standard Reference Obligations as published by ISDA on its website at www.isda.org from time to time (or any successor website thereto) or by a third party designated by ISDA on its website from time to time.

"Standard Reference Obligation" means, in respect of a Reference Entity, the obligation of such Reference Entity with the relevant Seniority Level which is specified from time to time on the SRO List, as determined by the Calculation Agent. If, in the determination of the Calculation Agent, the Standard Reference Obligation for a Reference Entity is removed from the SRO List, such

obligation shall cease to be the Reference Obligation for such Reference Entity (other than for purposes of the "Not Subordinated" Obligation Characteristic or "Not Subordinated" Deliverable Obligation Characteristic) and there shall be no Reference Obligation for such Reference Entity unless and until, in the determination of the Calculation Agent, such obligation is subsequently replaced on the SRO List, in which case, the new Standard Reference Obligation in respect of such Reference Entity shall constitute the Reference Obligation for such Reference Entity.

"Standard Specified Currencies" means each of the lawful currencies of Canada, Japan, Switzerland, France, Germany, the United Kingdom and the United States of America and the euro and any successor currency to any of the aforementioned currencies (which in the case of the euro, shall mean the currency which succeeds to and replaces the euro in whole) (and each a **"Standard Specified Currency"**).

"Steps Plan" means a plan evidenced by Eligible Information contemplating that there will be a series of successions to some or all of the Relevant Obligations of the Reference Entity, by one or more entities.

"Subordinated Obligation" means any obligation which is Subordinated to any unsubordinated Borrowed Money obligation of the Reference Entity or which would be so Subordinated if any unsubordinated Borrowed Money obligation of the Reference Entity existed.

"Subordinated Transaction" means a Reference Entity for which the Reference Obligation or Prior Reference Obligation, as applicable, is a Subordinated Obligation.

"Subordination" means, with respect to an obligation (the **"Second Obligation"**) and another obligation of the Reference Entity to which such obligation is being compared (the **"First Obligation"**), a contractual, trust or similar arrangement providing that (I) upon the liquidation, dissolution, reorganization or winding-up of the Reference Entity, claims of the holders of the First Obligation are required to be satisfied prior to the claims of the holders of the Second Obligation, or (II) the holders of the Second Obligation will not be entitled to receive or retain principal 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 First Obligation. "Subordinated" will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, (x) the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement or security 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 and (y) in the case of the Reference Obligation or the Prior Reference Obligation, as applicable, the ranking in priority of payment shall be determined as of the date as of which it was issued or incurred (or in circumstances where the Reference Obligation or a Prior Reference Obligation is the Standard Reference Obligation and "Standard Reference Obligation" is applicable, then the priority of payment of the Reference Obligation or the Prior Reference Obligation, as applicable, shall be determined as of the date of selection) and, in each case, shall not reflect any change to such ranking in priority of payment after such date.

"Substitute Reference Obligation" means, with respect to a Non-Standard Reference Obligation to which a Substitution Event has occurred, the obligation that will replace the Non-Standard Reference Obligation, determined by the Calculation Agent as follows:

- (a) The Calculation Agent shall identify the Substitute Reference Obligation in accordance with sub-paragraphs (c), (d) and (e) below to replace the Non-Standard Reference Obligation; **provided that** the Calculation Agent will not identify an obligation as the Substitute Reference Obligation if, at the time of the determination, such obligation has already been rejected as the Substitute Reference Obligation by the relevant Credit Derivatives Determinations Committee and such obligation has not changed materially since the date of such DC Resolution.
- (b) If any of the events set forth under sub-paragraphs (a)(i) or (iii) of the definition of 'Substitution Event' have occurred with respect to the Non-Standard Reference Obligation, the Non-Standard Reference Obligation will cease to be the Reference Obligation (other

than for purposes of the "Not Subordinated" Obligation Characteristic or "Not Subordinated" Deliverable Obligation Characteristic and sub-paragraph (c)(ii) below). If the event set forth in sub-paragraph (a)(ii) of the definition of 'Substitution Event' has occurred with respect to the Non-Standard Reference Obligation and no Substitute Reference Obligation is available, the Non-Standard Reference Obligation will continue to be the Reference Obligation until the Substitute Reference Obligation is identified or, if earlier, until any of the events set forth under sub-paragraphs (a)(i) or (a)(iii) of the definition of 'Substitution Event' occur with respect to such Non-Standard Reference Obligation.

- (c) The Substitute Reference Obligation shall be an obligation that on the Substitution Date:
 - (i) is a Borrowed Money obligation of the Reference Entity (either directly or as provider of a guarantee);
 - (ii) satisfies the Not Subordinated Deliverable Obligation Characteristic as of the date it was issued or incurred (without reflecting any change to the priority of payment after such date) and on the Substitution Date; and
 - (A) if the Non-Standard Reference Obligation was a Conforming Reference Obligation when issued or incurred and immediately prior to the Substitution Event Date:
 - (I) is a Deliverable Obligation (other than a Loan) determined in accordance with sub-paragraph (a) of the definition of 'Deliverable Obligation'; or if no such obligation is available;
 - (II) is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with sub-paragraph (a) of the definition of 'Deliverable Obligation';
 - (B) if the Non-Standard Reference Obligation was a Bond (or any other Borrowed Money obligation other than a Loan) which was a Non-Conforming Reference Obligation when issued or incurred and/or immediately prior to the Substitution Event Date:
 - (I) is a Non-Conforming Substitute Reference Obligation (other than a Loan); or if no such obligation is available;
 - (II) is a Deliverable Obligation (other than a Loan) determined in accordance with sub-paragraph (a) of the definition of 'Deliverable Obligation'; or if no such obligation is available;
 - (III) is a Non-Conforming Substitute Reference Obligation which is a Loan (other than a Private-side Loan); or if no such obligation is available;
 - (IV) is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with sub-paragraph (a) of the definition of 'Deliverable Obligation'; or
 - (C) if the Non-Standard Reference Obligation was a Loan which was a Non-Conforming Reference Obligation when incurred and/or immediately prior to the Substitution Event Date:
 - (I) is a Non-Conforming Substitute Reference Obligation which is a Loan (other than a Private-side Loan); or if no such obligation is available,
 - (II) is a Non-Conforming Substitute Reference Obligation (other than a Loan); or if no such obligation is available,

- (III) is a Deliverable Obligation (other than a Loan) determined in accordance with sub-paragraph (a) of the definition of 'Deliverable Obligation'; or if no such obligation is available,
 - (IV) is a Loan (other than a Private-side Loan) which constitutes a Deliverable Obligation determined in accordance with sub-paragraph (a) of the definition of 'Deliverable Obligation'.
- (d) If more than one potential Substitute Reference Obligation is identified pursuant to the process described in sub-paragraph (c), the Substitute Reference Obligation will be the potential Substitute Reference Obligation that most closely preserves the economic equivalent of the delivery and payment obligations of the Credit Linked Notes, as determined by the Calculation Agent. The Calculation Agent will notify the Issuer of the Substitute Reference Obligation as soon as reasonably practicable after it has been identified in accordance with sub-paragraph (c) and the Substitute Reference Obligation shall replace the original Reference Obligation immediately upon such notification.
- (e) If a Substitution Event has occurred with respect to the Non-Standard Reference Obligation and the Calculation Agent determines that no Substitute Reference Obligation is available for the Non-Standard Reference Obligation, then, subject to sub-paragraph (a) and notwithstanding the fact that the Non-Standard Reference Obligation may have ceased to be the Reference Obligation in accordance with sub-paragraph (b), the Calculation Agent shall use reasonable commercial efforts to continue to attempt to identify the Substitute Reference Obligation.

"Substitution Date" means, with respect to a Substitute Reference Obligation, the date on which the Calculation Agent notifies the Issuer that such Substitute Reference Obligation has been identified in accordance with the definition of 'Substitute Reference Obligation'.

"Substitution Event" means, with respect to the Non-Standard Reference Obligation (other than a Standard Reference Obligation):

- (a) the Non-Standard Reference Obligation is redeemed in whole;
- (b) the aggregate amounts due under the Non-Standard Reference Obligation have been reduced by redemption or otherwise below USD 10,000,000 (or its equivalent in the relevant Obligation Currency, as determined by the Calculation Agent); or
- (c) for any reason, other than due to the existence or occurrence of a Credit Event, the Non-Standard Reference Obligation is no longer an obligation of the Reference Entity (either directly or as provider of a guarantee),

and for the purposes of identification of the Non-Standard Reference Obligation, any change in the Non-Standard Reference Obligation's CUSIP or ISIN number or other similar identifier will not, in and of itself, constitute a Substitution Event.

If an event described in sub-paragraphs (i) or (ii) above has occurred on or prior to the Trade Date, then a Substitution Event shall be deemed to have occurred pursuant to sub-paragraphs (i) or (ii) above, as the case may be, on the Trade Date.

"Substitution Event Date" means, with respect to the Reference Obligation, the date of the occurrence of the relevant Substitution Event.

"Succession Date" means the legally effective date of an event in which one or more entities succeed to some or all of the Relevant Obligations of the Reference Entity; **provided that** if at such time, there is a Steps Plan, the Succession Date will be the legally effective date of the final succession in respect of such Steps Plan, or if earlier (i) the date on which a determination of the Calculation Agent in accordance with the definition of "Successor" would not be affected by any further related successions in respect of such Steps Plan, or (ii) the occurrence of an Event Determination Date in respect of the Reference Entity or any entity which would constitute a Successor.

"Successor" means, subject to Credit Linked Condition 6 (*Succession*), in relation to any Reference Entity, each Successor that ISDA has publicly announced, including prior to the Trade Date, that the relevant Credit Derivatives Determinations Committee has Resolved is a Successor to the original Reference Entity on or following the Successor Backstop Date in accordance with the DC Rules; or if no Successor has been identified by a Credit Derivatives Determinations Committee:

- (i) subject to sub-paragraph (vii) below, if one entity succeeds, either directly or as a provider of a Relevant Guarantee, to seventy-five per cent. or more of the Relevant Obligations of the Reference Entity, that entity will be the sole Successor in respect of the relevant Reference Entity;
- (ii) if only one entity succeeds, either directly or as a provider of a Relevant Guarantee, to more than twenty-five per cent. (but less than seventy-five per cent.) of the Relevant Obligations of the Reference Entity, and not more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entity that succeeds to more than twenty-five per cent. of the Relevant Obligations will be the sole Successor in respect of the relevant Reference Entity;
- (iii) if more than one entity each succeeds, either directly or as a provider of a Relevant Guarantee, to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity, and not more than twenty-five per cent. of the Relevant Obligations of the Reference Entity remain with the Reference Entity, the entities that succeed to more than twenty-five per cent. of the Relevant Obligations will each be a Successor;
- (iv) if one or more entities each succeeds, either directly or as a provider of a Relevant Guarantee, to more than twenty-five per cent. of the Relevant Obligations of the Reference Entity, and more than twenty-five 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;
- (v) if one or more entities succeed, either directly or as a provider of a Relevant Guarantee, to a portion of the Relevant Obligations of the Reference Entity, but no entity succeeds to more than twenty-five 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 will not be changed in any way as a result of such succession;
- (vi) if one or more entities succeed, either directly or as a provider of a Relevant Guarantee, to a portion of the Relevant Obligations of the Reference Entity, but no entity succeeds to more than twenty-five 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 will be the Successor (**provided that** if two or more entities succeed to an equal percentage of Relevant Obligations, each such entity will be a Successor); and
- (vii) in respect of a Reference Entity which is not a Sovereign, if one entity assumes all of the obligations (including at least one Relevant Obligation) of the Reference Entity, and at the time of the determination either (A) the Reference Entity has ceased to exist, or (B) the Reference Entity is in the process of being dissolved (howsoever described) and the Reference Entity has not issued or incurred any Borrowed Money obligation at any time since the legally effective date of the assumption, such entity (the **"Universal Successor"**) will be the sole Successor in respect of the relevant Reference Entity.

"Successor Backstop Date" means for purposes of any Successor the date that is ninety calendar days prior to the Trade Date **provided however that** the Successor Backstop Date may be adjusted by the Calculation Agent using its discretion in order to match any Hedge Transaction. The Credit Event Backstop Date shall not be subject to adjustment in accordance with any Business Day Convention.

"Successor Resolution Request Date" means, with respect to a notice to the DC Secretary requesting that a Credit Derivatives Determinations Committee be convened to Resolve one or more Successors to the Reference Entity, the date, as publicly announced by the DC Secretary, that

the relevant Credit Derivatives Determinations Committee Resolves to be the date on which such notice is effective.

"Surviving Reference Entity" has the meaning given to such term in Credit Linked Condition 6.3(b) above.

"TARGET Settlement Day" means any day on which TARGET2 (the Trans-European Automated Real-time Gross settlement Express Transfer system) is open.

"Trade Date" means the date specified as such in the applicable Final Terms.

"Transaction Auction Settlement Terms" means, in respect of any Reference Entity and a related Credit Event, the Credit Derivatives Auction Settlement Terms published by ISDA in respect of such Credit Event and in respect of which the relevant Notional Credit Derivative Transaction would be an Auction Covered Transaction.

"Transaction Type" means, unless otherwise specified in the Final Terms, each "Transaction Type" specified as such in the Physical Settlement Matrix from time to time.

"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);
- (b) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds; or
- (c) restrictions in respect of blocked periods on or around payment dates or voting periods.

"Undeliverable Obligation" means a Deliverable Obligation included in the Notice of Physical Settlement or NOPS Amendment Notice (as applicable) which, on the Settlement Date for such Deliverable Obligation, the Calculation Agent determines for any reason (including without limitation, failure by the Noteholder to deliver an Asset Transfer Notice, failure of the relevant clearance system or due to any law, regulation, court order or market conditions or the non-receipt of any requisite consents with respect to the Delivery of Loans) it is impracticable, impossible or illegal to Deliver on the Settlement Date.

"Underlying Finance Instrument" means where the LPN Issuer provides finance to the Reference Entity by way of a deposit, loan or other Borrowed Money instrument.

"Underlying Loan" means a loan advanced to the Reference Entity by an LPN Issuer.

"Underlying Obligation" means, with respect to a guarantee, the obligation which is the subject of the guarantee.

"Underlying Obligor" means with respect to an Underlying Obligation, the issuer in the case of a Bond, the borrower in the case of a Loan, or the principal obligor in the case of any other Underlying Obligation.

"Unwind Costs" means the amount specified in the applicable Final Terms or if **"Standard Unwind Costs"** are specified in the applicable Final Terms (or in the absence of any such specification), an amount, subject to a minimum of zero, determined by the Calculation Agent equal to the sum of (without duplication) all costs, expenses (including loss of funding), tax and duties incurred by the Issuer and/or any of its Affiliates in connection with the redemption of the Credit Linked Notes and the related termination, settlement or re-establishment of any Hedge Transaction, such amount to be apportioned *pro rata* amongst the principal amount of each Credit Linked Note outstanding.

"Valuation Date" means:

- (a) any CLN Business Day falling in the period between the 5th and the 122nd CLN Business Day following the Event Determination Date (or, if the Event Determination Date occurs pursuant to sub-paragraph (b)(i) of the definition of 'Event Determination Date' the day on which the DC Credit Event Announcement Date occurs), or, following any Auction Cancellation Date or No Auction Announcement Date, such later CLN Business Day (in each case, as selected by the Calculation Agent in its sole and absolute discretion); or
- (b) if "Cash Settlement" is applicable as a Fallback Settlement Method, any CLN Business Day falling between the 5th and the 122nd CLN Business Day following the Event Determination Date, or, following any Auction Cancellation Date or No Auction Announcement Date, such later CLN Business Day (in each case, as selected by the Calculation Agent in its sole and absolute discretion); or
- (c) if Partial Cash Settlement applies, the date which is up to fifteen CLN Business Days after the Latest Permissible Physical Settlement Date or, as applicable, the Extended Physical Settlement Date (as selected by the Calculation Agent in its sole and absolute discretion).

"Valuation Obligation" means, in respect of a Reference Entity, notwithstanding anything to the contrary in the Credit Linked Conditions, one or more obligations of such Reference Entity (either directly or as provider of a Qualifying Guarantee or, as the case may be, Qualifying Affiliate Guarantee), which would constitute a "Deliverable Obligation" if Physical Settlement were the applicable Settlement Method and/or any Asset in the related Asset Package in respect of a Prior Deliverable Obligation or Package Observable Bond, in each case, as selected by the Issuer in its sole and absolute discretion on the applicable Valuation Date, **provided that**, for such purpose:

- (a) any reference to the words "Delivery Date" or "NOPS Effective Date" in the definitions of "Conditionally Transferable Obligation", "Deliverable Obligation", within any of the terms comprising "Deliverable Obligation Category" or "Deliverable Obligation Characteristic" and "Due and Payable Amount" shall be deemed to be a reference to the words "Relevant Valuation Date";
- (b) the deletion of the words "being Delivered" in the definition of "Deliverable Obligation"; and
- (c) in respect of any Asset in the related Asset Package in respect of a Prior Deliverable Obligation or Package Observable Bond, any reference to "Outstanding Principal Balance", "Due and Payable Amount" or "Outstanding Amount" in the definitions of "Final Price", "Full Quotation", "Quotation", "Quotation Amount" and "Weighted Average Quotation" shall be deemed to be a reference to the words "Outstanding Amount of the relevant Prior Deliverable Obligation or Package Observable Bond immediately prior to the Asset Package Credit Event".

"Valuation Obligations Portfolio" means one or more Valuation Obligations of a Reference Entity selected by the Calculation Agent in its discretion, each in an Outstanding Amount selected by the Calculation Agent in its sole and absolute discretion **provided that** the aggregate of such Outstanding Amounts (or in each case the equivalent in the Specified Currency thereof (converted at the foreign exchange rate prevailing on any date from (and including) the Event Determination Date to (and including) the Valuation Date, as selected by the Calculation Agent in its sole and absolute discretion)), shall not exceed the relevant Reference Entity Notional Amount.

"Valuation Time" means the time specified in relation to a Reference Entity or, if no time is so specified, 11.00 a.m. in the principal trading market for the relevant Valuation Obligation or Undeliverable Obligation, as the case may be.

"Voting Shares" means those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

"Weighted Average Final Price" means the weighted average of the Final Prices determined for each selected Valuation Obligation in the Valuation Obligations Portfolio, weighted by the Currency Amount of each such Valuation Obligation (or its equivalent in the Settlement Currency,

converted by the Calculation Agent, in a commercially reasonable manner, by reference to exchange rates in effect at the time of such determination).

"Weighted Average Quotation" means the weighted average of firm bid quotations obtained from CLN Dealers at the Valuation Time, to the extent reasonably practicable, each for an amount of the Reference Obligation, Deliverable Obligation or Undeliverable Obligation, as the case may be, with an Outstanding Principal Balance or Due and Payable Amount, as applicable, of as large a size as available but less than the Quotation Amount (but of a size at least equal to the Minimum Quotation Amount) that in aggregate are approximately equal to the Quotation Amount.

ANNEX A TO THE ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES

AUCTION SETTLEMENT

Capitalised terms used but not defined in this summary have the meaning specified in the Credit Derivatives Determinations Committees Rules, as published by ISDA on its website at www.isda.org (or any successor website thereto) as of 28 September 2018 (the "**DC Rules**") and the Form of Auction Settlement Terms (as defined below) or in the Additional Terms and Conditions for Credit Linked Notes. All times of day in this summary refer to such times in London.

Publication of Credit Derivatives Auction Settlement Terms

A Credit Derivatives Determinations Committee may determine that a Credit Event has occurred in respect of a Reference Entity (such entity, an "**Affected Reference Entity**") and that one or more auctions will be held in order to settle affected transactions referencing such Affected Reference Entity based upon an Auction Final Price determined in accordance with an auction procedure as set forth in the Form of Auction Settlement Terms (each, an "**Auction**"). If an Auction is to be held, the Credit Derivatives Determinations Committee will publish Credit Derivatives Auction Settlement Terms in respect of the relevant Affected Reference Entity, based upon the Form of Auction Settlement Terms first published as Annex B to the 2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement Supplement to the 2003 ISDA Credit Derivatives Definitions, published by the International Swaps and Derivatives Association, Inc. ("**ISDA**") on 12 March 2009 (the "**Form of Auction Settlement Terms**").

Noteholders should note that the Credit Derivatives Determinations Committees have the power to amend the form of Credit Derivatives Auction Settlement Terms for a particular auction and that this summary may therefore not be accurate in all cases. The following does not purport to be a complete summary and prospective investors must refer to the Form of Auction Settlement Terms for detailed information regarding the auction methodology set forth therein (the "**Auction Methodology**"). The Auction and the Auction Methodology apply to credit default swaps on a Reference Entity and do not apply specifically to the Credit Linked Notes. A copy of the Form of Auction Settlement Terms is currently available at www.isda.org. The Credit Derivatives Determinations Committee will additionally make several related determinations, including the date on which the Auction will be held (the "**Auction Date**"), the institutions that will act as participating bidders in the Auction (the "**Participating Bidders**") and the supplemental terms that are detailed in Schedule 1 to the Form of Auction Settlement Terms. The Credit Derivatives Determinations Committee may also amend the Form of Auction Settlement Terms for a particular auction and may determine that a public comment period is necessary in order to effect such an amendment if such amendment is not contemplated by the DC Rules.

Auction Methodology

Determining the Auction Currency Rate

On the Auction Currency Fixing Date, the Administrators will determine the rate of conversion (each, an "**Auction Currency Rate**") as between the Relevant Currency and the currency of denomination of each Deliverable Obligation (each, a "**Relevant Pairing**") by reference to a Currency Rate Source or, if such Currency Rate Source is unavailable, by seeking mid-market rates of conversion from Participating Bidders (determined by each such Participating Bidder in a commercially reasonable manner) for each such Relevant Pairing. If rates of conversion are sought from Participating Bidders and more than three such rates are obtained by the Administrators, the Auction Currency Rate will be the arithmetic mean of such rates, without regard to the rates having the highest and lowest values. If exactly three rates are obtained, the Auction Currency Rate will be the rate remaining after disregarding the rates having the highest and lowest values. For this purpose, if more than one rate has the same highest or lowest value, then one of such rates shall be disregarded. If fewer than three rates are obtained, it will be deemed that the Auction Currency Rate cannot be determined for such Relevant Pairing.

Initial Bidding Period

During the Initial Bidding Period, Participating Bidders will submit to the Administrators: (a) Initial Market Bids; (b) Initial Market Offers; (c) Dealer Physical Settlement Requests; and (d) Customer Physical Settlement Requests (to the extent received from customers).

Initial Market Bids and Initial Market Offers are firm quotations, expressed as percentages, to enter into credit derivative transactions in respect of the Affected Reference Entity on terms equivalent to the Representative Auction-Settled Transaction.

The Initial Market Bid and Initial Market Offer submitted by each Participating Bidder must differ by no more than the designated Maximum Initial Market Bid-Offer Spread and must be an integral multiple of the Relevant Pricing Increment (each as determined by the Credit Derivatives Determinations Committee and specified in the Credit Derivatives Auction Settlement Terms in respect of the relevant Affected Reference Entity). The Initial Market Bid must be less than the Initial Market Offer.

Dealer Physical Settlement Requests and Customer Physical Settlement Requests are firm commitments, submitted by a Participating Bidder, on its own behalf or on behalf of a customer, as applicable, to enter into a Representative Auction-Settled Transaction, in each case, as seller (in which case, such commitment will be a "**Physical Settlement Buy Request**") or as buyer (in which case, such commitment will be a "**Physical Settlement Sell Request**"). Each Dealer Physical Settlement Request must be, to the best of such Participating Bidder's knowledge and belief, in the same direction as, and not in excess of, its Market Position. Each Customer Physical Settlement Request must be, to the best of the relevant customer's knowledge and belief (aggregated with all Customer Physical Settlement Requests submitted by such customer), in the same direction as, and not in excess of, its Market Position.

If the Administrators do not receive valid Initial Market Bids and Initial Market Offers from at least a minimum number of Participating Bidders (as determined by the Credit Derivatives Determinations Committee and specified in the Credit Derivatives Auction Settlement Terms in respect of the relevant Affected Reference Entity), the timeline will be adjusted and the Initial Bidding Period extended, with the Auction recommencing at such time(s) specified by the Administrators, otherwise it will proceed as follows.

Determination of Open Interest, Initial Market Midpoint and Adjustment Amounts

The Administrators will calculate the Open Interest, the Initial Market Midpoint and any Adjustment Amounts in respect of the Auction.

The Open Interest is the difference between all Physical Settlement Sell Requests and all Physical Settlement Buy Requests.

To determine the Initial Market Midpoint, the Administrators will: (a) sort the Initial Market Bids in descending order and the Initial Market Offers in ascending order, identifying non-tradeable markets for which bids are lower than offers; (b) sort non-tradeable markets in terms of tightness of spread between Initial Market Bid and Initial Market Offer; and (c) identify that half of the non-tradeable markets with the tightest spreads. The Initial Market Midpoint is determined as the arithmetic mean of the Initial Market Bids and Initial Market Offers contained in the half of non-tradeable markets with the tightest spreads.

Any Participating Bidder whose Initial Market Bid or Initial Market Offer forms part of a tradeable market will be required to make a payment to ISDA on the third Business Day after the Auction Final Price Determination Date (an "**Adjustment Amount**"), calculated in accordance with the Auction Methodology. Any payments of Adjustment Amounts shall be used by ISDA to defray any costs related to any auction that ISDA has coordinated, or that ISDA will in the future coordinate, for purposes of settlement of credit derivative transactions.

If for any reason no single Initial Market Midpoint can be determined, the procedure set out above may be repeated.

At or prior to the Initial Bidding Information Publication Time on any day on which the Initial Bidding Period has successfully concluded, the Administrators publish the Open Interest, the Initial Market Midpoint and the details of any Adjustment Amounts in respect of the Auction.

If the Open Interest is zero, the Auction Final Price will be the Initial Market Midpoint.

Submission of Limit Order Submissions

In the event that the Open Interest does not equal zero, a subsequent bidding period will be commenced during the Initial Bidding Period which: (a) if the Open Interest is an offer to sell Deliverable Obligations,

Participating Bidders submit Limit Bids; or (b) if the Open Interest is a bid to purchase Deliverable Obligations, Limit Offers, in each case, on behalf of customers and for their own account.

Matching bids and offers

- If the Open Interest is a bid to purchase Deliverable Obligations, the Administrators will match the Open Interest against all Initial Market Offers and Limit Offers, as further described in the Auction Methodology. If the Open Interest is an offer to sell Deliverable Obligations, the Administrators will match the Open Interest against all Initial Market Bids and Limit Bids, as further described in the Auction Methodology.

- *Auction Final Price when the Open Interest is Filled*

The Auction Final Price will be the price associated with the matched Initial Market Bids and Limit Bids or Initial Market Offers and Limit Offers, as applicable, that is the highest offer or the lowest bid, as applicable, **provided that:** (a) if the Open Interest is an offer to sell and the price associated with the lowest matched bid exceeds the Initial Market Midpoint by more than the "Cap Amount" (being the percentage that is equal to one half of the Maximum Initial Market Bid-Offer Spread (rounded to the nearest Relevant Pricing Increment)), then the Auction Final Price will be the Initial Market Midpoint plus the Cap Amount; and (b) if the Open Interest is a bid to purchase and the Initial Market Midpoint exceeds the price associated with the highest offer by more than the Cap Amount, then the Auction Final Price will be the Initial Market Midpoint minus the Cap Amount.

- *Auction Final Price when the Open Interest is Not Filled*

If, once all the Initial Market Bids and Limit Bids or Initial Market Offers and Limit Offers, as applicable, have been matched to the Open Interest, part of the Open Interest remains, the Auction Final Price will be: (a) if the Open Interest is a bid to purchase Deliverable Obligations, the greater of (i) zero, and (ii) the highest Limit Offer or Initial Market Offer received; or (b) if the Open Interest is an offer to sell Deliverable Obligations, zero.

100 per cent. Cap to Auction Final Price

In all cases, if the Auction Final Price determined pursuant to the Auction Methodology is greater than 100 per cent., then the Auction Final Price will be deemed to be 100 per cent.

Publication of Auction Final Price

At or prior to the Subsequent Bidding Information Publication Time on any day on which the subsequent bidding period has successfully concluded, the Administrators will publish on their websites: (a) the Auction Final Price; (b) the names of the Participating Bidders who submitted bids, offers, valid Dealer Physical Settlement Requests and valid Customer Physical Settlement Requests, together with the details of all such bids and offers submitted by each; and (c) the details and size of all matched trades.

Restructuring

Following certain Restructuring credit events, more than one auction may be held and there may be more than one Auction Final Price and credit default swaps are grouped into buckets by maturity and depending on which party triggers the credit default swap. Deliverable obligations will be identified for each bucket (any deliverable obligations included in a shorter bucket will also be deliverable for all longer buckets). If the Credit Derivatives Determinations Committee determines to hold an auction for a particular bucket, then that auction will be held according to the existing auction methodology that has previously been used for Bankruptcy and Failure to Pay credit events as described in the summary below, except that the deliverable obligations will be limited to those falling within the relevant maturity bucket.

Execution of Trades Formed in the Auction

Each Participating Bidder whose Limit Bid or Initial Market Bid (or Limit Offer or Initial Market Offer if applicable) is matched against the Open Interest, and each Participating Bidder that submitted a Customer Physical Settlement Request or Dealer Physical Settlement Request, is deemed to have entered into a Representative Auction-Settled Transaction, and each customer that submitted such a Limit Bid, Limit Offer, or Physical Settlement Request is deemed to have entered into a Representative Auction-Settled

Transaction with the dealer through whom the customer submitted such bid or offer. Accordingly, each such Participating Bidder or customer that is a seller of Deliverable Obligations pursuant to a trade formed in the auction must deliver to the buyer to whom such Participating Bidder or customer has been matched a Notice of Physical Settlement indicating the Deliverable Obligations that it will deliver, and such Deliverable Obligations will be sold to the buyer in exchange for payment of the Auction Final Price.

Timing of Auction Settlement Provisions

If an Auction is held in respect of an Affected Reference Entity, it is expected that the relevant Auction Date will occur on the third Business Day immediately prior to the 30th calendar day after which the relevant Credit Derivatives Determinations Committee received the request from an eligible market participant (endorsed by a member of the relevant Credit Derivatives Determinations Committee) to resolve whether a Credit Event has occurred with respect to such Reference Entity.

In respect of an Affected Reference Entity for which an Auction is held, the Auction Settlement Date will occur on a Business Day following the Auction Final Price Determination Date, as determined by the Credit Derivatives Determinations Committee and specified in the Credit Derivatives Auction Settlement Terms in respect of the relevant Affected Reference Entity.

ANNEX B TO THE ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED NOTES

CREDIT DERIVATIVES DETERMINATIONS COMMITTEES

In making certain determinations with respect to the Credit Linked Notes, the Calculation Agent may but is not bound to follow or act in accordance with any determination of the relevant Credit Derivatives Determinations Committees. This Annex sets forth a summary of the DC Rules and is subject to the rules as published by ISDA from time to time and as amended from time to time. This summary is not intended to be exhaustive and prospective investors should also read the DC Rules and reach their own views prior to making any investment decisions. A copy of the DC Rules published by ISDA is available at: www.isda.org (or any successor website thereto).

Capitalised terms used but not defined in this summary have the meaning specified in the DC Rules.

Establishment of the Credit Derivatives Determinations Committees

In accordance with the DC Rules, a Credit Derivatives Determinations Committee has been formed for each of the regions of (a) the Americas, (b) Asia Ex-Japan, (c) Australia-New Zealand, (d) Europe, Middle East and Africa and (e) Japan. The Credit Derivatives Determinations Committees will act in accordance with the DC Rules and will make determinations that are relevant for Credit Derivative Transactions that incorporate, or are deemed to incorporate, the 2014 ISDA Credit Derivatives Definitions (the "**2014 Definitions**"). ISDA (or an appointee thereof) will serve as the DC Secretary of each Credit Derivatives Determinations Committee and will perform administrative duties and make certain determinations as provided for under the DC Rules.

Decision-making Process of the Credit Derivatives Determinations Committees

Each DC Resolution by a Credit Derivatives Determinations Committee will apply to Credit Derivative Transactions that incorporate, or are deemed to incorporate, the 2014 Definitions and for which the relevant provisions are not materially inconsistent with the provisions with respect to which the Credit Derivatives Determinations Committee bases its determination. As a result, determinations by the Credit Derivatives Determinations Committees are not applicable to the Noteholders, unless specified otherwise in the terms of the Credit Linked Notes. The Credit Derivatives Determinations Committees shall have no ability to amend the terms of the Credit Linked Notes. Furthermore, the institutions on the Credit Derivatives Determinations Committees owe no duty to the Noteholders. See "*Risk Factors - Rights Associated with Credit Derivatives Determinations Committees*" for further information. The terms of the Credit Linked Notes provide that the Noteholders will be subject to certain determinations by the Credit Derivatives Determinations Committees. The Credit Derivatives Determinations Committees will be able to make determinations without action or knowledge by the Noteholders.

A Credit Derivatives Determinations Committee will be convened upon referral of (i) a question to the DC Secretary by an identified eligible market participant and the agreement of at least one of the voting members of the relevant Credit Derivatives Determinations Committee to deliberate the question, or (ii) a question to the DC Secretary by an unidentified eligible market participant and the agreement of at least two of the voting members of the relevant Credit Derivatives Determinations Committee to deliberate the question, or (iii) a question to the DC Secretary by an eligible market participant which is an Eligible CCP (being an eligible clearing entity) and such question is not designated as a "General Interest Question" and relates to an eligible cleared Reference Entity with respect to such Eligible CCP and to certain specified matters such as a Credit Event, Potential Repudiation/Moratorium and/or Successor. The DC Secretary will convene the Credit Derivatives Determinations Committee for the region to which the referred question relates, as determined in accordance with the DC Rules. Any party to a transaction that incorporates, or is deemed to incorporate, the 2014 Definitions may refer a question to the DC Secretary for a Credit Derivatives Determinations Committee to consider. Therefore, a binding determination may be made with respect to the Credit Linked Notes without any action by the Noteholders. Noteholders (in their capacity as holders of the Credit Linked Notes) will not be able to refer questions to the Credit Derivatives Determinations Committees.

Once a question is referred to a Credit Derivatives Determinations Committee, a DC Resolution may result quickly, as a binding vote usually must occur within two business days of the first meeting held with respect to such question unless the timeframe is extended by agreement of at least 80 per cent. of the voting

members participating in a vote held in accordance with the DC Rules. In addition, voting members of the Credit Derivatives Determinations Committees are required to participate in each binding vote, subject only to limited abstention rights. Notices of questions referred to the Credit Derivatives Determinations Committees, meetings held to deliberate such questions, meeting statements and the results of binding votes will be published on the ISDA website and neither the Issuer, the Calculation Agent nor any of their respective Affiliates shall be obliged to inform the Noteholders of such information (other than as expressly provided in the Credit Linked Conditions). Noteholders shall therefore be responsible for obtaining such information. See *"Risk Factors – Rights Associated with Credit Derivatives Determinations Committees"*.

The Credit Derivatives Determinations Committees have the ability to make determinations that may materially affect the Noteholders. The Credit Derivatives Determinations Committees will be able to make a broad range of determinations in accordance with the DC Rules that may be relevant to the Credit Linked Notes and materially affect the Noteholders. For each of the general types of questions discussed below, the Credit Derivatives Determinations Committees may determine component questions that arise under the 2014 Definitions, or the DC Rules and that are related to the initial question referred. Since the terms governing the credit-linked elements of the Credit Linked Notes are substantially similar to the 2014 Definitions, such determinations may affect the Noteholders, as further described below.

Credit Events

The Credit Derivatives Determinations Committees will be able to determine whether a Credit Event has occurred and, if applicable, the date of occurrence of such Credit Event. Related questions that are also within the scope of the Credit Derivatives Determinations Committees are whether a Potential Failure to Pay or a Potential Repudiation/Moratorium has occurred. In addition, the Credit Derivatives Determinations Committees will also determine, where necessary, whether the required Publicly Available Information has been provided. Each of these determinations, other than whether the required Publicly Available Information has been provided, requires the agreement of at least 80 per cent. of the voting members participating in a binding vote held in accordance with the DC Rules in order to avoid the referral of the question to the external review process, as described further below. The determination of whether the required Publicly Available Information has been provided requires the agreement of at least a majority of the voting members participating in a binding vote held in accordance with the DC Rules and is not eligible for external review. Each of these determinations may affect whether an Event Determination Date will occur under the Credit Linked Notes. If the Credit Derivatives Determinations Committee Resolves that a Credit Event has occurred with respect to one of the Reference Entity(ies) on or after the Credit Event Backstop Date, then an Event Determination Date is deemed to have occurred in respect of the Credit Linked Notes.

Successors

The Credit Derivatives Determinations Committees will be able to determine whether there are any Successor or Successors to a Reference Entity and the relevant Succession Date. In addition, the Credit Derivatives Determinations Committees will also determine the identity of the Successor(s) in accordance with the DC Rules. For a Reference Entity that is not a Sovereign, the Credit Derivatives Determinations Committees will determine the Relevant Obligation(s) of the Reference Entity (including any adjustments required to be made if there is a Steps Plan), the proportion of the Relevant Obligation(s) to which each purported Successor succeeds and the Succession Date. For a Reference Entity that is a Sovereign, the Credit Derivatives Determinations Committees will determine the Relevant Obligation(s) of the Reference Entity (including any adjustments to be made if there is a Steps Plan), whether a Sovereign Succession Event has occurred, if so the proportion of the Relevant Obligation(s) to which each purported Successor succeeds, and the Succession Date. Each of these determinations requires the agreement of at least 80 per cent. of the voting members participating in a binding vote held in accordance with the DC Rules in order to avoid the referral of the question to the external review process, as described further below, except for the actual identification of the Successor(s) for a Reference Entity (which only requires a majority and is not eligible for external review). The Calculation Agent may use the relevant DC Resolutions of the Credit Derivatives Determinations Committees in order to determine Successor(s) to the Reference Entity(ies).

Other Questions

The Credit Derivatives Determinations Committees will be able to determine whether circumstances have occurred that require a Substitute Reference Obligation to be identified and, if so, the appropriate Substitute Reference Obligation. The Credit Derivatives Determinations Committees may also make determinations

in relation to (i) Standard Reference Obligations and if applicable replacement Standard Reference Obligations in accordance with the Standard Reference Obligation Rules and (ii) whether or not Asset Package Delivery is applicable pursuant to the 2014 Definitions and if so, any Asset Package relating to a Prior Deliverable Obligation or Package Observable Bond, as applicable. In addition, the Credit Derivatives Determinations Committees will be able to determine whether an entity that acts as seller of protection under one or more transactions (such entity, the "**Relevant Seller**") or a Reference Entity has consolidated or amalgamated with, or merged into, or transferred all or substantially all its assets to, the Reference Entity or the Relevant Seller, as applicable, or that the Relevant Seller and the Affected Reference Entity have become Affiliates. Each of these determinations requires the agreement of at least 80 per cent. of the voting members participating in a binding vote held in accordance with the DC Rules in order to avoid the referral of the question to the external review process, as described further below. The Calculation Agent may follow such DC Resolutions in making the equivalent determinations with respect to the Credit Linked Notes.

The Credit Derivatives Determinations Committees will be able to determine other referred questions that are relevant to the credit derivatives market as a whole and are not merely a matter of bilateral dispute. Such questions require the agreement of at least 80 per cent. of the voting members participating in a binding vote held in accordance with the DC Rules for each Credit Derivatives Determinations Committee implicated by the relevant question, as determined in accordance with the DC Rules, in order to avoid the possible referral of the question to the external review process, as described further below. Furthermore, the question relating to such DC Resolution may also be referred to the external review process if at least a majority of the voting members participating in a binding vote held in accordance with the DC Rules agree. Any guidance given by the Credit Derivatives Determinations Committees with respect to questions of interpretation of the 2014 Definitions are likely to influence the Calculation Agent in interpreting equivalent provisions under the Credit Linked Notes.

Any such question can be submitted to the Credit Derivatives Determinations Committees by an unidentified eligible market participant for deliberation. The relevant Credit Derivatives Determinations Committee(s) will deliberate such question upon the agreement of at least two of the voting members of the relevant Credit Derivatives Determinations Committee to deliberate the question. Once the deliberations on such question have commenced, the relevant Credit Derivatives Determinations Committee will proceed in accordance with the procedures described above with respect to the relevant question category, except that the identity of the eligible market participant who submitted the question will not be revealed to the members of the Credit Derivatives Determinations Committees or the general public.

External Review

As described immediately above, certain questions deliberated by the Credit Derivatives Determinations Committees are subject to an external review process if the required threshold is not met during the binding vote held with respect to such question. For such questions, if at least 80 per cent. of the voting members participating in a binding vote held in accordance with the DC Rules fail to agree, the question will be automatically referred to the external review process. Questions that are not eligible for external review often require only a simple majority of participating voting members to agree in order to reach a DC Resolution.

Questions referred to external review will be considered by a panel of three independent individuals who will be selected by either the relevant Credit Derivatives Determinations Committee or by the DC Secretary at random. The default duration of the external review process (which can be modified by the relevant Credit Derivatives Determinations Committee in accordance with the DC Rules) is twelve business days from the referral of the question and contemplates the receipt of both written submissions and oral argument. Any member of ISDA may provide written submissions to the external reviewers, which will be made available to the public on the ISDA website, and the conclusion reached in accordance with the external review process will be binding on the Noteholders. In instances where the vote of the relevant Credit Derivatives Determinations Committee was less than or equal to 60 per cent., the decision of a majority of the external reviewers will be determinative. However, in instances where the vote of the relevant Credit Derivatives Determinations Committee was between 60 per cent. and 80 per cent., all three external reviewers must agree in order to overturn the vote of the Credit Derivatives Determinations Committee.

Noteholders should be aware that the external reviewers may not consider new information that was not available to the relevant Credit Derivatives Determinations Committee at or prior to the time of the binding

vote and questions may be returned to the Credit Derivatives Determinations Committee for another vote if new information becomes available. In addition, if the external reviewers fail to arrive at a decision for any reason, the entire process will be repeated. As a result, the external review process may be elongated in certain situations, leaving questions that may materially affect the Noteholders unresolved for a period of time.

The Composition of the Credit Derivatives Determinations Committees

Each Credit Derivatives Determinations Committee is composed of fifteen voting members and three non-voting consultative members. Ten of the voting members are dealer institutions, with eight serving across all regions and two potentially varying by region. The other five voting members are non-dealer institutions that serve across all regions. The three non-voting consultative members consist of one dealer institution and one non-dealer institution that serve across all regions and one dealer institution that could potentially vary by region.

Noteholders will have no role in the composition of the Credit Derivatives Determinations Committees. Separate criteria applies with respect to the selection of dealer and non-dealer institutions to serve on the Credit Derivatives Determinations Committees and the Noteholders will have no role in establishing such criteria. In addition, the composition of the Credit Derivatives Determinations Committees will change from time to time in accordance with the DC Rules, as the term of an institution may expire or an institution may be required to be replaced. The Noteholders will have no control over the process for selecting institutions to participate on the Credit Derivatives Determinations Committees and, to the extent provided for in the Credit Linked Notes, will be subject to the determinations made by such selected institutions in accordance with the DC Rules.

No recourse against Credit Derivatives Determinations Committee

Noteholders will have no recourse against either the institutions serving on the Credit Derivatives Determinations Committees or the external reviewers. Institutions serving on the Credit Derivatives Determinations Committees and the external reviewers, among others, disclaim any duty of care or liability arising in connection with the performance of duties or the provision of advice under the DC Rules, except in the case of gross negligence, fraud or wilful misconduct. Furthermore, the institutions on the Credit Derivatives Determinations Committees do not owe any duty to the Noteholders and the Noteholders will be prevented from pursuing claims with respect to actions taken by such institutions under the DC Rules.

Noteholders should also be aware that institutions serving on the Credit Derivatives Determinations Committees have no duty to research or verify the veracity of information on which a specific determination is based. In addition, the Credit Derivatives Determinations Committees are not obligated to follow previous determinations and, therefore, could reach a conflicting determination for a similar set of facts.

Noteholders shall be responsible for obtaining information relating to deliberations of the Credit Derivatives Determinations Committees. Notices of questions referred to the Credit Derivatives Determinations Committees, meetings held to deliberate such questions and the results of binding votes will be published on the ISDA website and neither the Issuer, the Calculation Agent nor any of their respective Affiliates shall be obliged to inform the Noteholders of such information (other than as expressly provided in the Credit Linked Conditions). Failure by the Noteholders to be aware of information relating to deliberations of a Credit Derivatives Determinations Committee will have no effect under the Notes and Noteholders are solely responsible for obtaining any such information.

Amendments to the DC Rules

The DC Rules may be amended from time to time without the consent or input of the Noteholders and the powers of the Credit Derivatives Determinations Committees may be expanded or modified as a result.

**ANNEX C TO THE ADDITIONAL TERMS AND CONDITIONS FOR CREDIT LINKED
NOTES**

FORM OF ASSET TRANSFER NOTICE

**ASSET TRANSFER NOTICE
NEDBANK LIMITED**

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

EURO MEDIUM TERM NOTE PROGRAMME

[title of relevant Series of Notes]

When completed, this Notice should be delivered (if the Note to which this Notice relates is represented by a Global Note Certificate) in such manner as is acceptable to Euroclear or Clearstream, Luxembourg, as the case may be, to Euroclear or Clearstream, Luxembourg (as applicable) with a copy to the Issuer and the Fiscal Agent or (if the Note to which this Notice relates is in definitive form) should be delivered in writing or by tested telex with the Note to any Paying Agent with a copy to the Issuer and the Fiscal Agent not later than the close of business in each place of reception on the Cut-Off Date.

[To: Euroclear Bank S.A./N.V.
1 Boulevard du Roi Albert II
B-1210 Brussels
Belgium

Attention: Custody Processing
Department
Telex: 61025 MGTEC B]

or: [Clearstream Banking, *société
anonyme*
42 Avenue JF Kennedy
L-2967
Luxembourg

Attention: OCE Department
Telex: 2791]¹ **

[To:]

[or:]

[Copy:

Copy: [Issuer]

In the case of Bearer Notes [Paying Agent]]

[Insert Issuer contact details]

* **The Paying Agent with whom any definitive Notes are deposited will not in any circumstances be liable to the depositing Noteholder or any other person for any loss or damage arising from any act, default or omission of such Paying Agent in relation to the said definitive Notes or any of them unless such loss or damage was caused by the fraud or negligence of such Paying Agent or its directors, officers or employees.**

** **Delete as applicable.**

Failure properly to complete and deliver this Notice (in the determination of [[Euroclear/Clearstream, Luxembourg*]²/the Issuer¹]) may result in this Notice being treated as null and void.

Expressions defined in the terms and conditions of the Notes as amended and/or supplemented by the applicable Final Terms shall bear the same meanings herein.

I/We*, the [Accountholder²/Noteholder¹] specified in 1 below, being the holder of the Notes, request that the Issuer deliver the relevant Entitlement(s) to which I am/we are* entitled in relation to such Notes, all in accordance with the Credit Linked Conditions.

1. **Name(s), Address(es) and Telephone number(s) of [Accountholder¹/Noteholder²]**

¹ Include if the Note to which this Notice relates is represented by a Global Note Certificate.

² Include if the Note to which this Notice is represented by a Global Note Certificate.

2.	<p>Details required for delivery of the relevant Entitlement(s) as set out in applicable Final Terms</p> <p>[Insert details for delivery which may include account details and/or the name and address of any person(s) into whose name evidence of the Entitlement is to be registered and/or any bank, broker or agent to whom documents evidencing the Entitlement are to be delivered.]</p>
3.	<p>Name, address and telephone number of person from whom details may be obtained for the delivery of the relevant Entitlement if delivery is to be made otherwise than in the manner specified in the applicable Final Terms</p>
[4.]	<p>[Nominal amount of Notes subject of this Notice] ²</p>
[5.]	<p>[Instructions to Euroclear/Clearstream, Luxembourg]</p> <p>I/We* hereby irrevocably authorise and instruct Euroclear/Clearstream, Luxembourg* to debit the Note(s) referred to above from the Account referred to below on or before the Delivery Date.</p> <p>Account No:</p> <p>Name:] ²</p>
[6.]	<p>[Delivery Expenses]</p> <p>I/We* hereby irrevocably undertake to pay all expenses in respect of the delivery of the relevant Entitlement(s) [and irrevocably authorise Euroclear/Clearstream, Luxembourg* to debit my/our* specified account at Euroclear/Clearstream, Luxembourg* in respect thereof] and to pay such Expenses. The account specified for such purpose is:</p> <p>Account No:</p> <p>Name:] ²</p>
[7.]	<p>Noteholder's [Euroclear/Clearstream, Luxembourg*]² Account for payment of any cash amount specified in the applicable Final Terms as being payable</p> <p>I/We* hereby instruct that any [dividends/amounts payable or any other cash amount, specified in the applicable Final Terms payable to me/us]* shall be credited to the [Euroclear/Clearstream, Luxembourg*]² Account referred to below.</p>

Account No:
Name:
[Name and address of bank or institution
at which such Account is held:] ²
[8.] I/We* hereby certify that (a) the beneficial owner of each Note is not a 'US Person' as defined in Regulation S under the United States Securities Act of 1933, as amended (US Person), (b) the Note is not being redeemed within the United States or by or on behalf of a US Person and (c) no cash, securities or other property have been or will be delivered within the United States or to, or for the account or benefit of, a US Person in connection with any redemption thereof.
[9.] Authorisation of production in proceedings
I/We* hereby authorise the production of this Notice in any administrative or legal proceedings instituted in connection with the Note or Notes to which this Notice relates.
DESPATCH BY POST OR COURIER WILL BE MADE AT THE RISK AND EXPENSE OF THE NOTEHOLDER.
Signed
Date

Acknowledgement and acceptance from the Issuer to the [Paying Agent] to arrange the mark-down and cancellation of the [Notes] for a nominal amount of that specified in item [4] of this Asset Transfer Notice as of the effective date of [•]

NEDBANK LIMITED

.....

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 of 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 (*Trigger Event and Consequences*) 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 4.6 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 "**Nedbank**") is one of the four leading banks in South Africa (measured by total assets), and can trace its origins back to the late nineteenth century. Nedbank is wholly owned by Nedbank Group Limited ("**NGL**" and, together with its subsidiaries, the "**Group**"). References to "**Nedbank**" must, where the context so requires, be construed to include "**NGL**" and/or the "**Group**", and *vice versa*.

NGL is a registered bank "*controlling company*" that, through its subsidiaries, provides a wide range of banking and financial services. NGL maintains a primary listing under 'Banks' on JSE Limited (the "**JSE**"), with a secondary listing on the Namibian Stock Exchange. NGL is a JSE "Top 40" company with a market capitalisation of R51 billion as at June 2020.

The Group's headquarters are in Sandton, Johannesburg, with large operational centres in Durban and Cape Town. Banking facilities of subsidiary and/or affiliated banks within the Group include full service branches and ATMs. These facilities are located throughout South Africa and other Southern African countries. These facilities are offered through subsidiary and/or affiliated banks within the Group, as well as through branches and representative offices in certain key global financial centres that serve to meet the international banking requirements of the Group's South African-based multinational clients. Subsidiary and/or affiliated banks within the Group also offer full-service electronic, internet and digital banking to all clients.

Nedbank carries on the business of a bank and holds a full banking licence pursuant to the South African Banks Act, 1990 ("**Banks Act**") and is an authorised "*financial services provider*" under the South African Financial Advisory and Intermediary Services Act, 2002, as well as an authorised "*credit provider*" under the South African National Credit Act, 2005 (see the section of this Prospectus headed "*The Banking Sector in South Africa*" below).

Nedbank is an "*authorised dealer*" in foreign exchange in terms of the Exchange Control Regulations, 1961 promulgated under the South African Currency and Exchanges Act, 1933 (see the section of this Prospectus headed "*Exchange Control*" below).

Nedbank is a central securities depository participant in Strate Proprietary 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 South African Financial Markets Act 2012 (see the section of this Prospectus headed "*The Banking Sector in South Africa*" below).

The registered office of NGL and Nedbank is located at Nedbank 135 Rivonia Campus, 135 Rivonia Road, Sandown, Sandton, 2196, South Africa. The postal address of NGL and Nedbank is PO Box 1144, Johannesburg, 2000, South Africa.

Nedbank is registered as a public company with limited liability under registration number 1951/000009/06 in terms of the South African Companies Act, 2008 ("**Companies Act**").

Business of the Group

The Group is a universal financial services provider focused on South Africa and Southern Africa. The Group offers a wide range of wholesale and retail banking services through four main business clusters, namely Nedbank Corporate and Investment Banking, Nedbank Retail and Business Banking, Nedbank Wealth and Nedbank Africa Regions (collectively, the "**Business Clusters**").

The principal services offered by the Group comprise corporate, business, and retail banking, commercial property finance, investment banking, private banking, foreign exchange and securities trading. The Group also generates income from private equity, credit card issuing and acquiring services, custodial services, insurance, unit trust administration, asset management services and wealth management.

The Group's strategy is delivered primarily through its four Business Clusters and is supported by the Group's central clusters in areas such as finance, IT, legal, marketing, human resources, risk, compliance and balance sheet management.

Nedbank Corporate and Investment Banking ("CIB")

CIB offers its clients a full suite of comprehensive wholesale banking solutions, complemented by a focus on client relationships. CIB operates the Nedbank Branch in London and the representative offices in Kenya and Angola. The services include:

- investment banking and lending;
- global markets and treasury;
- commercial property finance;
- deposit-taking; and
- transactional banking to institutional and corporate clients with a turnover of over R750 million per annum.

Product strengths lie in commercial property finance, investment banking, leverage financing, trading, brokering, structuring and hedging. CIB is also especially known for its specialist approach to investment banking in the following sectors:

- infrastructure;
- mining and resources;
- oil and gas; and
- telecoms and energy.

Nedbank Retail and Business Banking ("RBB")

RBB provides financial solutions to its individual clients, as well as businesses with an annual turnover of less than R750 million.

Through RBB's 572 staffed outlets and 4 192 ATMs and market-leading digital channels, RBB offers a full range of services, including:

- transactional banking;
- card and payment solutions;
- lending solutions;
- deposit-taking;
- risk management;
- a range of investment products;
- card-acquiring services for business; and
- ecosystems and platform-based solutions.

RBB is a leader in business banking, digital client value propositions, vehicle finance and card acquiring, with a strong record of client-centred risk management.

RBB's business banking service model is decentralised, enabling staff to make decisions on the ground while remaining accountable to the Group.

Nedbank Wealth

Nedbank Wealth provides insurance and asset management offerings, leveraging its unique 'Best of Breed' model, as well as wealth management solutions to high-net-worth clients through offices in South Africa, London, Isle of Man, Jersey, Guernsey and the UAE.

Nedbank Wealth has more than R366 billion in assets under management, with a life embedded value of R3,2 billion.

Nedbank Africa Regions ("NAR")

NAR manages operations of Group subsidiaries in eSwatini, Lesotho, Mozambique, Namibia and Zimbabwe.

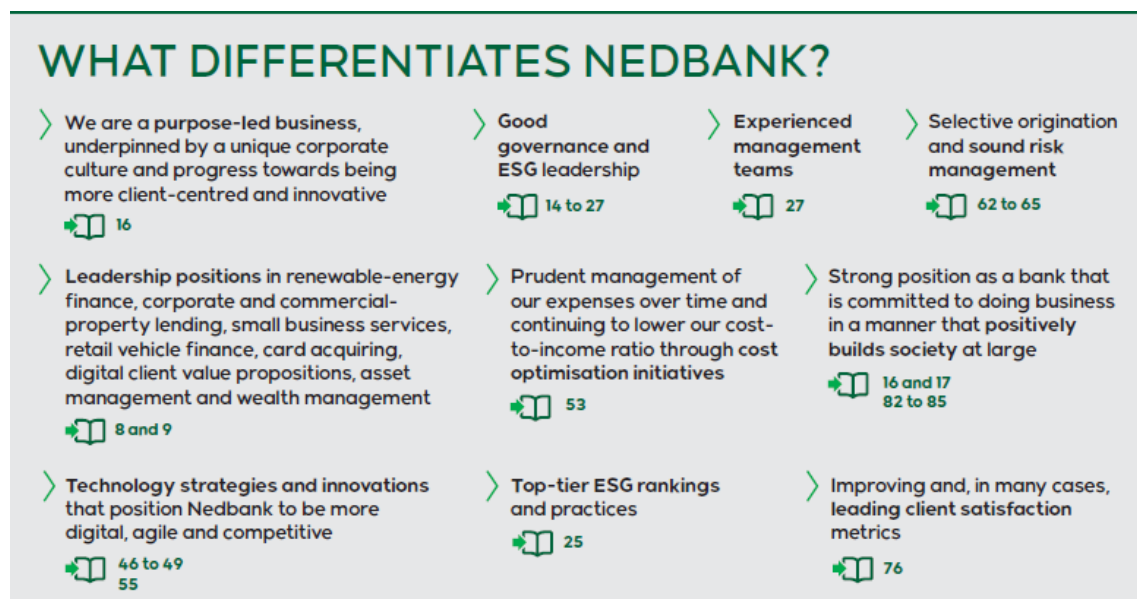
The Group has an approximate 21 per cent. shareholding in Ecobank Transnational Incorporated. NAR is the custodian of the Ecobank–Nedbank Alliance.

NAR offers banking and related services across SADC for retail clients, small and medium-sized enterprises, businesses and large corporates.

NAR subsidiaries have 85 branches and 194 ATMs.

Competitive Strengths

The Group has a relatively larger wholesale business (in comparison to its peers), which positions it well to benefit from an increase in business confidence and economic growth. The Nedbank Group has access to the largest banking network in Africa through its own operations in the Southern African Development Community and its strategic alliance with Ecobank Transnational Incorporated ("ETI") in 39 countries. See, in addition, the table below extracted from the "Nedbank Group Limited Integrated Report" of NGL for the financial year ended 31 December 2019:



Numbers in the above extract refer to page numbers of the 31 December 2019 "Nedbank Group Limited Integrated Report". This Integrated Report can be accessed at the following website link: <https://www.nedbank.co.za/content/nedbank/desktop/gt/en/aboutus/information-hub/integrated-reporting.html>.

The Group is a purpose-led value-driven business, underpinned by a unique corporate culture and aims to be client-centred and innovative. Nedbank has a strong position as a bank that does business in a manner that positively builds society at large.

The Group holds leadership positions in renewable-energy finance, corporate and commercial property lending, small business services, retail vehicle finance, card acquiring, digital value propositions, asset management and wealth management. In 2019, Nedbank was the first South African commercial bank to launch a green renewable energy bond in the debt capital markets.

The Group's technology strategies and innovations position it to be more digital, agile and competitive. For example, the Group's Nedbank Money and Private Wealth Apps continue to be the highest rated banking applications. The Private Wealth App was additionally rated as the second best private banking applications globally.

The Group's prudent management of its expenses over time has continued to lower its efficiency ratio through cost optimisation initiatives.

The Group holds leadership positions in Environmental, Social and Governance ("ESG") matters, have independent boards of directors and experienced management teams.

Corporate Structure

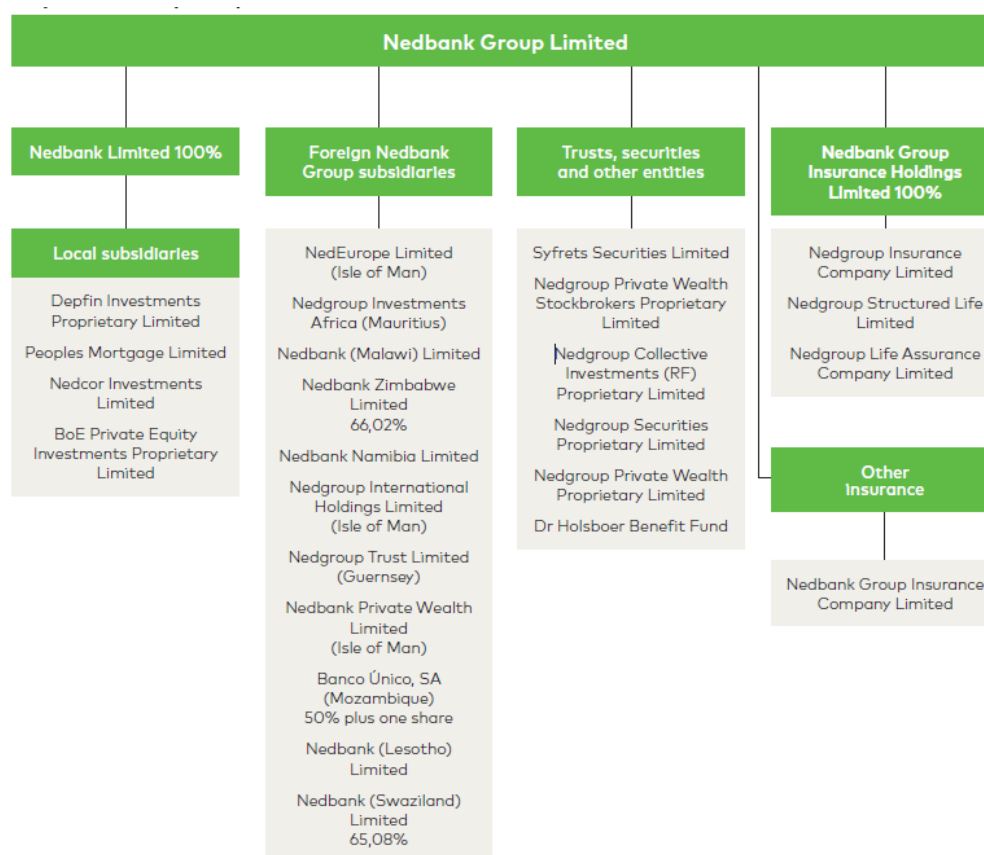
Nedbank's authorised ordinary share capital as at 30 June 2020 is 30 000 000 ordinary shares of R1 each. Nedbank's issued ordinary share capital as at 30 June 2020 is 27 876 479 fully paid ordinary shares of R1 each.

Nedbank's authorised preference share capital as at 30 June 2020 is (a) 1 000 000 000 non-redeemable non-cumulative non-participating preference shares of R0,001 each, (b) 5 000 Class 'A' redeemable cumulative preference shares of R0,0001 each and (c) 5 000 Class 'B' redeemable cumulative preference shares of R0,0001 each. Nedbank's issued preference share capital as at 30 June 2020 is (a) 358 277 491 non-redeemable non-cumulative non-participating preference shares of R0,001 each, (b) 100 Class 'A' redeemable cumulative preference shares of R0,0001 each and (c) 100 Class 'B' redeemable cumulative preference shares of R0,0001 each.

Nedbank's issued ordinary shares are 100 per cent. held by NGL. As at 30 June 2020 Old Mutual Limited has a strategic shareholding of 24,1 per cent. in NGL, including funds managed on behalf of clients/beneficial owners.

NGL structure including related subsidiary companies

As at 31 December 2019, the major active subsidiaries of NGL were as follows:



All subsidiaries are wholly owned, unless stated otherwise.

The table above was extracted from the "Nedbank Group Limited Integrated Report" of NGL for the financial year ended 31 December 2019. Since 31 December 2019, the following corporate actions have taken place:

- Nedbank Malawi was sold on 31 March 2020; and
- On 24 April 2020, NGL acquired an additional approximate 37.5 per cent. shareholding in Banco Unico, SA (Mozambique) which brought NGL's shareholding to 87.5 per cent.

As at 26 June 2020, the major shareholders of NGL were as follows:

SHAREHOLDERS' ANALYSIS

Register date: 26 June 2020
 Authorised share capital: 600 000 000 shares
 Issued share capital: 502 054 496 shares

	Number of shares	Jun 2020 % holding	Jun 2019 % holding	Dec 2019 % holding
Major shareholders/managers				
Old Mutual Life Assurance Company (SA) Limited and associates (includes funds managed on behalf of other beneficial owners) ¹	108 022 349	21,52	24,48	24,12
Nedbank Group treasury shares	18 168 526	3,62	3,19	3,19
BEE trusts	6 617 468	1,32	1,31	1,33
Eyethu scheme – Nedbank SA	6 466 786	1,29	1,28	1,30
Omufima scheme – Nedbank Namibia	150 682	0,03	0,03	0,03
Nedbank Group (2005) Restricted- and Matched-share Schemes	11 503 546	2,29	1,87	1,85
Nedbank Namibia Limited	47 512	0,01	0,01	0,01
Public Investment Corporation (SA)	53 556 004	10,67	10,42	10,76
Allan Gray Investment Council (SA)	50 986 588	10,16	3,61	5,44
Coronation Fund Managers (SA)	38 906 233	7,75	6,56	7,53
BlackRock Incorporated (international)	19 266 471	3,84	3,82	3,59
The Vanguard Group Incorporated (international)	13 759 284	2,74	3,09	3,00
Sanlam Investment Management Proprietary Limited (SA)	12 953 090	2,58	1,95	2,36
GIC Asset Management Proprietary Limited (international)	10 527 454	2,10	2,57	2,10
Dimensional Fund Advisors (USA, UK and AU)	9 310 232	1,85	1,96	2,13
State Street Global Advisor Ltd	8 637 376	1,72	1,53	1,45
Major beneficial shareholders				
Old Mutual Life Assurance Company (SA) Limited and associates (SA) ¹	106 011 768	21,12	22,40	24,09
Government Employees Pension Fund (SA)	54 358 868	10,83	10,79	10,88
Allan Gray Balanced Fund (ZA)	18 211 277	3,63	1,21	1,81
Geographical distribution of shareholders				
Domestic	374 123 415	74,51	71,51	73,79
SA	358 554 526	71,41	68,57	70,65
Namibia	8 182 452	1,63	1,36	1,83
Unclassified	7 386 437	1,47	1,58	1,31
Foreign	127 931 081	25,49	28,49	26,21
USA	62 053 699	12,36	14,61	13,26
Asia	22 131 458	4,41	5,06	4,49
Europe	21 824 845	4,35	4,58	4,46
UK and Ireland	13 001 612	2,59	2,52	2,05
Other countries	8 919 467	1,78	1,71	1,95
Total shares listed	502 054 496	100,00	100,00	100,00
Less: Treasury shares held	18 168 526			
Net shares reported	483 885 970			

¹ Old Mutual Limited retains a strategic minority shareholding of 19,9% in Nedbank Group, held through its shareholder funds, under the terms of the relationship agreement. The above shareholding is inclusive of funds held on behalf of other beneficial owners and increased after the Old Mutual Managed Separation had been completed as a result of the subsequent odd-lot offer. The relationship agreement with Old Mutual Limited is available at <https://www.nedbank.co.za/content/dam/nedbank/site-assets/About%20Us/About%20Nedbank%20Group/Old%20Mutual/Nedbank%20Old%20Mutual%20Limited%20Relationship%20Agreement%202018.pdf>

Management

The directors of NGL are the same as the directors of Nedbank ("**Board**"). Separate Board meetings are held in respect of Nedbank.

Two of the twelve non-executive directors on the Board are not considered independent given the one director's previous, and the other director's current, executive roles held in the Old Mutual Group of companies.

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. The non-executive directors and the strong independent composition of the Board provide for independent and objective input into the decision making process, thereby ensuring that no one director holds unfettered decision making powers. The directors on the Board have access to management whenever required.

Board

The directors on the Board as at 1 October 2020 are set out below:

Name	Position Director	as	Principal Outside Activities	Date of Birth
Vassi Naidoo	Independent Chairman		<p>Vassi was appointed to the boards of Nedbank Group Limited and Nedbank Limited as a non-executive director and Chair-designate on 1 May 2015 and then as Chair on 11 May 2015. Vassi was also appointed as a non-executive director of Old Mutual plc in May 2015 and of Old Mutual Group Holdings (SA) Proprietary Limited with effect from 31 October 2016. On 1 November 2016 Vassi was also appointed as a senior independent director of Liquid Telecommunications Holdings Limited, which is based in Mauritius, and Chair of Africa Property Development Managers/Gateway Delta Development Holdings. Vassi stepped down from the Old Mutual Limited board on 31 December 2018.</p> <p>Vassi was Chief Executive of Deloitte Southern Africa from 1998 to 2006, a member of the Deloitte UK executive from 2006 to 2009 and a member of the Deloitte Global executive from 2007 to 2011, and thereafter Vice-chair of Deloitte UK from 2009 to 2014. Vassi is a member of the South African Institute of Chartered Accountants, with honorary lifetime membership granted in 2011 for his contribution to the development of the profession in SA. He is also a member of the Institute of Chartered Accountants in England and Wales and a Professor of Practice in the Department of Accountancy at the University of Johannesburg.</p>	1 March 1955
Michael William Thomas Brown	Chief Executive		<p>Mike was appointed as Chief Financial Officer in June 2004 and as Chief Executive in March 2010. He is currently Deputy Chair of Business Leadership South Africa. He was previously an executive director of BoE Limited and, after the merger between Nedbank Limited, BoE Bank Limited, Nedcor</p>	31 May 1966

Name	Position Director	as	Principal Outside Activities	Date of Birth
			Investment Bank Limited and Cape of Good Hope Bank Limited in 2003, he was appointed Head of Commercial Property Finance at Nedbank Limited.	
Hubert Rene Brody	Independent Non-executive Director		Hubert was Chief Executive of Imperial Holdings, the diversified mobility group, from July 2007 until February 2014 and thereafter served as a non-executive director of Imperial Holdings until the end of 2014. He previously served as a director and Chair of Imperial Bank (previously a joint venture between Nedbank and Imperial Holdings and later acquired as a subsidiary of Nedbank) until 2010. Hubert was an executive at Sanlam Group Limited from January 2015 to May 2017. He is also an independent non-executive director and Vice-chair at Woolworths Holdings Limited, and serves on the council of Stellenbosch University	14 May 1964
Brian Anthony Dames	Independent Non-executive Director		Brian joined the board as an independent non-executive director on 30 June 2014. Brian is Chief Executive of African Rainbow Energy and Power and previously served as the Chief Executive of Eskom, the largest power utility in Africa and one of the largest utilities in the world. He has extensive experience with global (and specifically African and SA) energy and resource issues. Brian serves as a member of the World Economic Forum's Global Council on Future of Energy, as a non-executive director of the Industrial Development Corporation of SA Limited and as member of the Sol Plaatje University Finance Committee.	4 July 1965
Michael Howard Davis	Chief Financial Officer		Mike was appointed Chief Financial Officer of the Group on 1 October 2020. He previously held the position of Group Executive Balance Sheet Management and has been a	29 April 1971

Name	Position Director	as	Principal Outside Activities	Date of Birth
			member of the Group Executive Committee from 1 January 2015. He has significant industrywide experience in finance, asset and liability management and capital management, having worked in financial services for over 20 years. Before joining Nedbank through the acquisition of BoE Bank Limited, Mike completed his articles with Deloitte, where he specialised in banking and risk management.	
Neo Dongwana	Phakama Independent Non-executive Director		After serving her articles and qualifying as a chartered accountant at Deloitte, Neo spent her early career as an equity analyst at Gensec Asset Management before rejoining Deloitte, where she held the position of audit partner for nine years. Neo is Chair of Barloworld Limited and serves on the Mpact Limited and Safika Holdings Proprietary Limited boards. She chairs the Takeover Regulation Panel and is also a member of the Financial Services Tribunal. She previously represented SA on the Southern African Development Community's inaugural audit committee.	27 April 1972
Errol Melville Kruger	Independent Non-executive Director		Errol joined the board as an independent non-executive director on 1 August 2016. From September 2003 to July 2011 he was the Registrar of Banks at the South African Reserve Bank (SARB), having been with SARB from July 1978. As the Registrar of Banks, Errol represented SA as a full member of the Basel Committee on Banking Supervision from 2009 to 2011 and he successfully project-managed early adoption and full implementation of both the revised 25 Basel Core Principles for Effective Banking Supervision as well as Basel II. Errol was appointed Managing Director of Supervision and Authorisation at the Qatar Financial Centre Regulatory Authority on 1 August 2011, whereafter he was also appointed	30 April 1957

Name	Position Director	as	Principal Outside Activities	Date of Birth
			by the board of the Qatar Central Bank to serve on Qatar's Financial Stability and Risk Control Committee. He relinquished his role at the Qatar Financial Centre Regulatory Authority on 31 July 2016. Errol also serves as a non-executive director of Capital Appreciation Limited	
Robert Alexander Gordon Leith	Non-executive Director		Rob initially joined the board as non-executive director in October 2016. He was appointed as the Director of Managed Separation at Old Mutual plc (Nedbank Group's former ultimate holding company) on 14 March 2016 after joining Old Mutual from a private investment company, where he had been since September 2014. Before that Rob was Global Head of Investment Banking and Global Markets of Sberbank CIB. He joined Sberbank CIB in January 2012 from Standard Bank, where he had served for over 20 years in the UK, latterly as Head of Group Strategic Development and Chief Executive of Global Corporate and Investment Banking. As part of the Old Mutual Managed Separation process, Rob resigned from the Nedbank boards on 15 October 2018, and was reappointed on 1 January 2019	29 September 1962
Paul Mpho Makwana	Lead Independent Director		Mpho joined the board as an independent non-executive director on 17 November 2011. He is a past Chair of Eskom Holdings Limited, where he led the team that kept the lights on during the 2010 FIFA World Cup. He is Chair of ArcelorMittal SA Ltd, Limpopo Economic Development Agency and SAFCOL SOC Limited. He participates in various non-profit initiatives, among these as a trustee of the Nelson Mandela Children's Fund.	7 June 1970
Linda Makalima	Independent Non-executive Director		Linda, the founder of Lima Business Solutions Proprietary Limited, was previously a	28 September 1968

Name	Position	as	Principal Outside Activities	Date of Birth
	Director		<p>director and the Head of Investment Banking Coverage (SA) at Standard Bank, where she was responsible for business development and origination across a portfolio of sectors, including oil and gas, power, infrastructure and renewables, mining and telecommunications. Prior to that Linda was Managing Director of Diners Club. Linda left the corporate world to become a career and business coach, providing professionals and entrepreneurs with skills, insights and tools to enrich their careers and businesses. She is a member of the board of trustees for Pathcare</p>	
Tshilidzi Marwala	Independent Non-executive Director		<p>Professor Marwala is an accomplished scholar with multi-disciplinary research interests that include the theory and application of artificial intelligence to engineering, computer science, finance, social science and medicine. He has an extensive track record in human capacity development and has published 15 books in artificial intelligence. Professor Marwala is the Vice Chancellor and Principal of the University of Johannesburg and prior to this he was the Deputy Vice Chancellor for Research and Internationalisation and Executive Dean of Engineering and the Built Environment both at the University of Johannesburg. He was recently appointed as Deputy Chair of the Presidential Commission on the Fourth Industrial Revolution.</p>	28 July 1971
Mantsika Matooane	Amelia Independent Non-executive Director		<p>Mantsika joined the board as an independent non-executive director on 15 May 2014. She is an executive at Johannesburg-based digital and cyber technology services company Truespark. She currently serves as a non-executive director of the JSE Limited.</p>	23 May 1975

Name	Position	as	Principal Outside Activities	Date of Birth
Mfundo Nkuhlu	Clement Chief Officer	Operating	Mfundo was appointed as Chief Operating Officer in January 2015. He joined the group as Head of Nedbank Africa in 2004 and became Head of Corporate Banking in 2005. He became a member of the Group Executive Committee in 2008 and Managing Executive of Nedbank Corporate in 2009. He was appointed to the boards of Nedbank Limited and Nedbank Group Limited on 1 January 2015. He also serves on the board of Ecobank Transnational Incorporated, in which Nedbank holds a 21,2 per cent. interest. As a member of the Group Executive Committee, Mfundo was closely involved in the oversight of the business strategies across Nedbank, and delivered strong and consistent performance in Nedbank Corporate. Before joining Nedbank, Mfundo was the executive responsible for strategy, revenue and economic analysis at the South African Revenue Service and Chief Director of the Department of Trade and Industry, where he was responsible for Africa and the Middle East, as well as for the development and coordination of the economic strategy for the New Partnership for Africa's Development (NEPAD).	7 December 1966
Stanley Subramoney	Independent Non-executive Director		Stanley qualified as a chartered accountant (SA) in 1987 and was appointed audit partner at PwC, serving a number of the firm's large clients both in the public and private sectors. During his 27 years in the audit profession as audit partner and later as member of the PwC Executive Committee, he led large and complex assignments, attended audit committee meetings of key clients, was the technical partner, trained board and audit committee members on the roles and responsibilities of the board and on governance, and gained valuable experience across the	3 October 1958

Name	Position Director	as	Principal Outside Activities	Date of Birth
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various sectors. He represented the southern African firm in a number of PwC's African and global structures. These roles provided Stanley with a wide international view and exposure to global clients. At the age of 42 he was appointed Deputy Chief Executive Officer for PwC Southern Africa and member of the southern Africa executive committee. During his time as the strategy leader for PwC Southern Africa, Stanley led the Government and Public Sector Industry Group for Southern Africa. He was the Chair of Business Skills for SA Foundation, a non-profit organisation that has provided business skills training to over 18 000 entrepreneurs from disadvantaged communities. He is Patron of the NEPAD Business Foundation – a Pan-African business foundation that seeks to put Africa on a path of sound sustainable economic development, a director of Terrasan Group Limited and Chief Executive Officer of Menston Holdings Proprietary Limited. Stanley was on the board of Business Unity SA and Chair of its audit committee.

Iain Williamson	George	Non-executive Director	Iain is the CEO of OML and is a highly regarded and experienced business leader with broad business experience in general management, finance, technology, distribution, strategy, corporate mergers and operations.	29 May 1970
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Group Executive Committee

The members of the executive committee of NGL and Nedbank ("**Group Exo**") as at 1 October 2020 are set out below:

Name	Position	Principal Outside Activities
Anél Bosman	Managing Executive - Nedbank Corporate	Anél started her career at Nedbank as a trader, heading up the Multidisciplinary Desk and was then appointed as the Head of Risk for Nedbank Capital from 2005 to 2010. After a short period

Name	Position	Principal Outside Activities
	and Investment Banking	as CFO and Head of Strategy for Nedbank Capital, she was appointed as the Chief Operating Officer for the cluster in 2011. In 2015 Anél was appointed as Managing Executive for Nedbank CIB Markets, with responsibility for all trading activities in Nedbank as well as wholesale funding. Anél was appointed Group Managing Executive of Nedbank Corporate and Investment Banking and joined the Group Exco on 1 April 2020.
Iolanda Ruggiero	Managing Executive - Nedbank Wealth	Iolanda was appointed to the Nedbank Group Executive Committee in March 2015. She has over 19 years' experience in financial services, 17 of which have been at Nedbank. Iolanda has held senior management positions in Nedcor Investment Bank and Nedbank Retail, and was appointed as Chief Operating Officer of Nedbank Wealth in 2006. During her tenure with Nedbank Wealth Iolanda played an integral role in the acquisition and seamless integration of BoE Private Clients, Nedgroup Life and Fairbairn Private Bank into Nedbank Group.
Ciko Thomas	Managing Executive - Nedbank Retail and Business Banking	Ciko joined the group in January 2010 as Group Executive of Group Marketing, Communications and Corporate Affairs and in November 2010 he was appointed as Managing Executive of Consumer Banking in the Retail and Business Banking Cluster. Ciko has wide-ranging marketing and business experience in financial services and in the consumer goods and motor industries. He started his professional career at Unilever in Durban in January 1992. He joined Nedbank from Barloworld, where he was the Group Marketing Director of the automotive division. Ciko was previously General Manager of Retail Banking Marketing at Absa Group. He has also held various management positions at SA Breweries, Unilever and M-Net. Ciko was appointed Group Managing Executive of Nedbank Retail and Business Banking on 1 April 2016.
Michael William Thomas Brown	Chief Executive - Nedbank Group	Mike was appointed as Chief Financial Officer in June 2004 and as Chief Executive in March 2010. He is currently Deputy Chair of Business Leadership South Africa. He was previously an executive director of BoE Limited and, after the merger between Nedbank Limited, BoE Bank Limited, Nedcor Investment Bank Limited and Cape of Good Hope Bank Limited in 2003, he was appointed Head of Commercial Property Finance at Nedbank Limited.
Mfundo Clement Nkuhlu	Chief Operating Officer	Mfundo was appointed as Chief Operating Officer in January 2015. He joined the group as Head of Nedbank Africa in 2004 and became Head of Corporate Banking in 2005. He became

Name	Position	Principal Outside Activities
		<p>a member of the Group Executive Committee in 2008 and Managing Executive of Nedbank Corporate in 2009. He was appointed to the boards of Nedbank Limited and Nedbank Group Limited on 1 January 2015. He also serves on the board of Ecobank Transnational Incorporated, in which Nedbank holds a 21,2 per cent. interest. As a member of the Group Executive Committee, Mfundo was closely involved in the oversight of the business strategies across Nedbank, and delivered strong and consistent performance in Nedbank Corporate. Before joining Nedbank, Mfundo was the executive responsible for strategy, revenue and economic analysis at the South African Revenue Service and Chief Director of the Department of Trade and Industry, where he was responsible for Africa and the Middle East, as well as for the development and coordination of the economic strategy for the New Partnership for Africa's Development (NEPAD).</p>
Trevor Adams	Group Chief Risk Officer	<p>Trevor has been Group Chief Risk Officer since 2014, and prior to that was Managing Executive: Balance Sheet Management for five years following his appointment to the Group Exco in 2009. Trevor's current responsibilities are expansive across the risk universe, covering credit, market, operational, financial crime (including AML, cyber, fraud and forensics), conduct, legal, business, strategic (including digital, climate change and risk analytics) and ERM risks, as well as Internal Audit, aside from his groupwide strategic role as a member of the Group Exco and a permanent attendee at all group board of directors' (non-executive directors) meetings. In addition, Trevor is responsible for the group's Regulatory Change Programme. Before joining the group in 1996 Trevor was a partner at Deloitte, where he specialised in banking and risk management after several years in external audit, and so collectively has over 30 years' banking and risk-management-related experience.</p>
Fred Swanepoel	Group Chief Information Officer	<p>Fred has more than 29 years' experience in finance, banking and information technology. In 1996 Fred joined Nedbank to run regional operations in the Western Cape. In 2000 he brought his operational experience into the group's technology arena and was appointed Nedbank Group Chief Information Officer in November 2008. Before this he held several high-level positions in the technology environment, including Divisional Director for Finance, Risk and Compliance, Projects and Programme Management, and Head of Group Software Services. He is a strategic thinker with</p>

Name	Position	Principal Outside Activities
		<p>strong commercial acumen and has been integral to the formulation, evolution and success of the group's transformational digital and innovation programmes. He has significantly repositioned the group's technology capability to deliver a simplified, agile and client-centred architecture. Fred's goal is to enable Nedbank to achieve its ambition to be 'Africa's number one digital financial services company'.</p>
Michael Howard Davis	Chief Financial Officer- Group	<p>Mike was appointed Chief Financial Officer of the group on 1 October 2020. He previously held the position of Group Executive Balance Sheet Management and has been a member of the Group Executive Committee from 1 January 2015. He has significant industrywide experience in finance, asset and liability management and capital management, having worked in financial services for over 20 years. Before joining Nedbank through the acquisition of BoE Bank Limited, Mike completed his articles with Deloitte, where he specialised in banking and risk management.</p>
Priya Naidoo	Group Executive - Strategy	<p>Priya was appointed as Group Executive of Strategy and to the Group Executive Committee on 1 January 2015. Prior to this Priya headed up the finance and strategy function for the Nedbank Corporate Cluster, where she gained her banking experience through varied roles. She joined Nedbank in 2001 from PwC.</p>
Deb Fuller	Group Executive – Group Human Resources	<p>Deborah joined Nedbank's Group Executive Committee in June 2018. She has 25 years of human resources experience, 18 of which have been spent in the financial services sector, including in retail, business and investment banking. Deborah has held a number of senior human resources leadership roles in other large SA banks since her return to the country in 2010. Prior to this, while living in the UK, Deborah held a number of European and global human resources specialist and generalist roles at General Electric.</p>
Anna Isaac	Group Chief Compliance Officer	<p>Anna was appointed as the Group's Chief Compliance Officer and to the Group Exco on 1 January 2019. Anna's current responsibilities includes the Compliance portfolio, the Reputational Risk Committee and Ethics, Regulatory/Advocacy and Supervisory Affairs aside from her groupwide strategic role as a member of the Group Executive Committee and a permanent attendee at all Board of Directors' meetings. In addition, Anna is responsible for the Group's Operating Manual. Previously she held the position of Chief Legal Counsel. Anna started her legal career at Hofmeyr Attorneys specialising in Insolvency and Corporate Law</p>

Name	Position	Principal Outside Activities
		and her career at Nedbank spans 22 years in various senior and strategic roles (in the legal and compliance areas of the business clusters and at Nedbank Group level). She has a depth of knowledge and the benefit of more than 27 years of experience in banking, risk, legal and financial services.
Kensi Nobanda	Group Executive – Group Marketing and Corporate Affairs	Khensani joined Nedbank in September 2017 as Executive Head of Group Marketing. She has a BCom from Wits (majoring in marketing and information systems) and an MBA from GIBS. Prior to joining Nedbank, she was a marketing executive at Vodacom and held senior leadership roles at SA Breweries and Unilever. Khensani was appointed Group Executive of Group Marketing and Corporate Affairs and joined the Group Executive Committee in May 2018.
Dr Terence Sibiyi	Managing Executive - Nedbank Africa Regions	Terence was appointed to the Nedbank Group Exco in April 2020. Prior to starting his current role in 2018, Terence was the Managing Executive of Client Coverage in Nedbank CIB. Before joining Nedbank in 2011, he was the Executive and Head of Power, Infrastructure, Construction, Oil, Gas and Renewable Energy in the Corporate and Investment Banking Division of the Standard Bank Group.

Conflicts of interest

A director or prescribed officer (as defined in the Companies Act) is prohibited from using his or her position, or confidential or price-sensitive information, to the benefit of himself or herself or any related third party, whether financially or otherwise. Directors and prescribed officers are also required to inform the Board timeously of conflicts of interest, or potential conflicts of interest, that they may have in relation to particular items of business or other directorships. Comprehensive registers of individual directors' interests in and outside Nedbank and NGL are maintained and updated and signed by the directors, with details noted by the Board at each Board meeting.

Committees

The Committee structure is designed to assist the Board in the discharge of its duties and responsibilities.

The Board Committees are formed at NGL level, and address both Nedbank and Group matters. Copies of the terms of reference can be found on NGL's website.

The current Board Committees are:

- the Group Information Technology Committee;
- the Group Audit Committee;
- the Group Credit Committee;
- the Group Directors' Affairs Committee;
- the Large Exposure Approval Committee;

- the Group Remuneration Committee;
- the Group Risk and Capital Management Committee;
- the Group Transformation, Social and Ethics Committee; and
- the Group Related-party Transactions 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 Nedbank and the Group. Through agenda matrices, the Committees are able to ensure that they function in accordance with their terms of reference during the financial year.

The Group Information Technology Committee (GITCO) monitors all issues pertaining to IT, both operational and strategic, and aims to ensure that IT development spend and investment are aligned with overall group strategy and direction, and that the IT systems are efficient and effective.

The 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, as required under the Banks Act and the Companies Act. It also highlights measures to enhance the credibility and objectivity of financial statements and reports.

The 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 provision impairments, and monitors credit risk information, processes and disclosure.

The Large-exposure Approval Committee approves large credit exposures, as required by the Banks Act.

The Group Directors' Affairs Committee (DAC) considers, monitors and reports to the Board on reputational and compliance risk, compliance with King IV™ and the corporate governance provisions of the Banks Act as well as strategy. It also acts as the nominations committee for Board appointments.

The Group Remuneration Committee (Group REMCO) is authorised to approve aggregate adjustments to the remuneration of employees below executive director and managing executive levels and recommends non-executive director fees for approval by shareholders. Included in the Committee's charter is the oversight and implementation of the remuneration policy to ensure remuneration outcomes are fair and responsible.

The Group Risk and Capital Management Committee ("GRCMC") assists the Board in evaluating the adequacy and efficiency of risk policies, procedures, practices and controls.

The Group Transformation, Social and Ethics Committee (GTSEC) monitors integrated sustainability with a specific focus on social and economic development, good corporate citizenship, ethical behaviour of staff members and suppliers, environmental concerns, health and public safety, stakeholder engagement, labour and employment.

The Group Related-party Transactions Committee (GRPTC) ensures that the Board and other Committees fulfil their responsibilities to strengthen corporate governance and practices with regard to all related-party transactions.

Employees

As at 30 June 2020, Nedbank had 29,413 employees.

A significant number of Nedbank's non-managerial employees are represented by trade unions. Nedbank has not experienced any significant strikes or work stoppages in recent years and considers its employee relations to be excellent.

Nedbank 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. Nedbank 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

See in addition "*Capital management*" below. For a full description of Basel III and the capital adequacy requirements under South African banking legislation, see the section of this Prospectus headed "*The Banking Sector in South Africa*" under "*Banks Act, 1990: Basel III*" below).

The capital base of Nedbank provides the foundation for lending, off-balance-sheet transactions and other activities. Nedbank is subject to the capital adequacy requirements set out in the Banks Act, as read with the Regulations Relating to Banks and Directive 6/2016 headed "*Capital framework for South Africa based on the Basel III framework*", dated 24 November 2016 ("**Directive 6/2016**"), which provide for a minimum level of capital based on risk-adjusted assets and off-balance-sheet exposures (risk weighed exposure).

In terms of the Regulations Relating to Banks as read with Directive 6/2016, capital adequacy is measured as a proportion of risk weighted exposure at three levels being the Common Equity Tier 1 ratio ("**CET 1 Ratio**"), the Tier 1 ratio and the total capital adequacy ratio ("**CAR**").

The Tier 1 ratio is a function of the CET 1 Ratio, being Nedbank's paid up ordinary capital and distributable and non-distributable reserves (taking into account any regulatory adjustments) and Additional Tier 1 Capital. Total CAR includes Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital (for example, among others, the proceeds of the issue of subordinated debt instruments).

A summary of certain of the provisions of Directive 6/2016 headed "*Capital framework for South Africa based on the Basel III framework*", dated 24 November 2016, is set out in the section of this Prospectus headed "*The Banking Sector in South Africa*" under "*Banks Act, 1990: Basel III*" – "*Capital adequacy requirements*" below).

Nedbank (and the Group's) capital ratios are strong across all classes of capital, are above regulatory minimum requirements and are within internal target ranges. Similarly, the Nedbank economic capital adequacy is strong and Nedbank (and the Group's) Internal Capital Adequacy and Assessment Process ("**ICAAP**") has been maintained.

Nedbank's ICAAP confirms that Nedbank is well capitalised above Board-approved targets to meet current and future balance sheet requirements and, in addition, above the current 'A' or 99,93 per cent. target debt rating (solvency standard) in terms of the Group's proprietary economic capital methodology.

Nedbank maintained a well-capitalised balance sheet. Nedbank's CET 1 Ratio of 10,6 per cent. as at 30 June 2020 (31 December 2019: 11,5 per cent.) remains around the mid-point of the Board-approved internal target range.

Nedbank's CET 1 Ratio was impacted by risk-weighted assets ("**RWA**") growing 7,8 per cent. to R677,8 billion as at 30 June 2020 (December 2019: R628,7 billion), largely as a result of an increase in credit RWA due to:

- ratings migration across certain wholesale portfolios in line with the deteriorating economic environment;
- trading market RWA increased by R26,7bn, primarily due to extreme market movements observed during March and April 2020 in financial markets and the inclusion into Nedbank's value at risk (VaR) based capitalisation models; and
- growth in loans and advances.

Overall capital adequacy was further impacted by investments in the rest of Africa, resulting in a higher capital impairment.

Legal Proceedings

The Group has been, and continues to be, the subject of legal proceedings and adjudications from time to time. To this end, the Group utilises internal and external legal teams to manage any legal action instituted by and against any entities within the Group.

There are a number of legal or potential claims against entities within the Group, the outcomes of which cannot, at present, be foreseen. Material litigation (if any) is disclosed in the annual financial statements of the Group from time to time.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group 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 Group.

Contingent Liabilities

The Group, in the ordinary course of business, enters into transactions that expose the Group 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.

Risk Governance and Culture

Further information relating to NGL's and Nedbank's approach to risk governance is set out in the Nedbank Pillar 3 Document.

Group approach to risk management

Nedbank adopts the same risk management policies and procedures as the Group. The Group's risk management policies apply to all Business Clusters and Group function clusters within the Group, including those of Nedbank.

Risk

The business of banking fundamentally involves the management of risk. The primary function of a bank in an economy is funds maturity transformation. Nedbank (and other Group subsidiaries) lend money, which gives rise to credit risk. Nedbank also receives money to fund its lending, resulting in potential asset and liability mismatches, as well as interest rate risk and liquidity risk. In addition, Nedbank trades and invests in financial markets that drive other market risks, and all these business activities are potentially prone to operational risk, reputational risk and other risks, balance sheet positioning, capital and liquidity planning, for example, balance sheet structure, capital, liquidity and funding risks. Collectively there are 17 key risks that make up the risk universe in the Group's Enterprise-wide Risk Management Framework.

Ultimately, the Group seeks to optimise risk versus return on a sustainable basis, and risk management is therefore approached across a number of integrated core dimensions.

A critical success factor in achieving the Group's vision and related financial aspirations is for the Group's risk management, risk culture and risk infrastructure, together, to become a clearly distinctive competitive differentiator.

Adding to the importance of excellence in risk management has been the persistent volatile, uncertain, complex and ambiguous ("VUCA") macroeconomic and geopolitical environments, both locally and globally.

The regulatory landscape for banks and banking groups or financial conglomerates has changed significantly, remains significant for the banking industry and will continue to influence the overall Nedbank strategy as banks must strategically respond to regulation (see the section of this Prospectus headed "*The Banking Sector in South Africa*" below).

While regulation has changed banking over the past five years, and continues to do so, technological advancement, together with rapid innovation, is likely to see information technology reshaping banking over the next five to ten years, leading to heightened key risk focuses, such as cybercrime, but also to strategic opportunities. As in the case of regulatory and conduct risks, Nedbank is giving much greater focus to information technology risk and strategic (execution) risk in the Group's risk plans for 2020.

The 2022/2025 Group Risk Plan ("**Group Risk Plan**") has been prepared in order to transform risk management strategically across Nedbank and differentiate it from that of its competitors. This is being done in a collaborative, integrated, value-adding, strategic and partnership-based approach. The most fundamental aspect of the Group Risk Plan is strategically leveraging and differentiating the regulatory environment and building towards a winning regulatory environment. Nedbank will strategically leverage an approximately R4bn regulatory change programme to achieve this.

Nedbank's risk universe comprises of 17 key risks. Aligned to this, through the risk strategy and planning process, the top 12 risks are agreed as key risk focus areas. Management actions for the top 12 risks have been formally documented in the Group Risk Plan and are monitored and tracked in, among others, Group Exco and GRMC.

Additionally, with Nedbank's expansion and strategic intention of building a pan-African banking network, Nedbank is enhancing its risk management focus and capability in the subsidiaries under management of NAR, addressing the related risk appetite and management holistically and through the implementation of a Group Operating Manual. The purpose of the Group Operation Model is furthermore to ensure compliance with Basel requirements relating to supervision of groups and to ensure consistent application of the Group's policies and procedures by all subsidiaries and businesses.

Nedbank's more traditional major risks of credit and liquidity remain (see "*Credit risk*" and "*Liquidity risk and funding*" below), as always, a key focus, and Nedbank will leverage the implementation of the IFRS 9 and Basel III to elevate credit and liquidity risk measurement and management to an even higher level than is currently the case.

Sustaining a strong risk culture

The Group has a strong risk culture and follows best practice enterprise-wide risk management, which aligns strategy, policies, people, processes, technology and business intelligence in order to evaluate, manage and optimise the opportunities, threats and uncertainties the Group may face in its ongoing efforts to maximise sustainable shareholder value within the Group's defined risk appetite.

From 2015, the Group began the journey to elevate risk to become a competitive differentiator and good progress has been made. The Group started this journey from a solid base and risk culture and, aside from anti-money-laundering ("**AML**"), which the Group transformed and updated to comply with the amended South African Financial Intelligence Centre Act, 2001 ("**FICA**") (implemented in April of 2019 - see the section of this Prospectus headed "*The Banking Sector in South Africa*" below), the rest of the risk universe in the Group has remained remarkably sound albeit amidst an ever-deteriorating VUCA macroeconomic environment.

The Group embraces risk management as a core competency that allows the business to optimise risk-taking and is objective and transparent. This ensures that the business prices appropriately for risk, linking it to return.

The importance attached to risk management and the attention given to it, is deeply rooted in the Group's culture. Being 'world class at managing risk' is included as one of five 'deep green' aspirations in the Group's strategic framework and cascades down across the Group.

Enterprise-wide Risk Management Framework

Enterprise-wide Risk Management ("**ERM**") in the Group 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 Nedbank and other Group Subsidiaries face as they create shareholder value. It involves integrating risk and capital management effectively, across Nedbank's risk spectrum, Business Units and operating divisions, geographical locations and legal entities.

The Group has adopted a comprehensive risk management strategy and methodology, which is underpinned by the Group's Enterprise-wide Risk Management Framework ("**ERMF**"). The ERMF incorporates a strong emphasis on accountability, responsibility, independence, reporting, communications and transparency, both internally and with all key external stakeholders.

The ERMF, fully embedded in business and central functions across the Group, is supplemented by individual frameworks such as those for credit risk, market risk, liquidity risk, operational risk, capital risk and a comprehensive stress and scenario testing framework. Coupled with these are a complete set of risk policies, practices and procedures that operate within specific limits. These include the role of the Board, the setting and monitoring of the Group's risk appetite and risk limits, and oversight of the ERMF, duly assisted by Board Committees. At executive management level, Group Exco is assisted with its risk, strategic and operational responsibilities by these Board Committees.

In these Board Committees the 17 key risks are contained in formal terms of reference (or charters) and linked to the agendas of meetings. Comprehensive reporting on the universe of risks thus occurs at least quarterly, where their status, materiality and effective management are assessed, reviewed and challenged. This process originates in the Business Clusters, proceeds (based on materiality) up to the Group executive level and then to the non-executive Board level.

The ERMF facilitates effective challenge and debate at executive management and Board levels, and strong interaction across the Group, between the Business Clusters and central Group services. This requires a continuous process of risk identification, measurement, management, monitoring and formal review and assessment by the Group's external auditors.

Within the ERMF, processes are integrated with the Group's strategic and business planning, and new and/or emerging risks are identified, captured and addressed. A residual-heat map is used to support the iterative reassessment of the 17 key risks. Escalation criteria have been defined and significant risks/issues and limit breaches are raised and recorded in the 'Key Issues Control Log', which is a fundamental tool of the ERMF and risk reporting across the Group, and is reviewed, by executive management and the Board.

The Group is required to ensure that its risk management policies, procedures and practices, together with the associated risk frameworks and charters, are reviewed annually and aligned with current regulatory requirements, and international best practices.

A formal process is followed in an annual review of risk policies, limits and frameworks that comprise the ERMF.

The ERMF has served the Group well and has been resilient through economic cycles. Nedbank has placed a strong reliance on the ERMF and the 'Three Lines of Defence Model', which underpins the Group's aspiration to be 'world class at managing risk'. However, in response to evolving emerging risk trends, the changing business environment, the significant regulatory change and developments, the ERMF was refreshed during 2015 to remain relevant in the current internal and external environment. This is to ensure that the ERMF remains a substantive reflection of the risk management requirements of the Group, so that it is constantly fit for purpose/relevant and well placed to cope with risk management in the current environment.

Approach to risk and balance sheet management

The Group approaches its strategy development, business activities, risk appetite, risk and balance sheet management in a fully integrated manner. At the heart of the Group's business and management processes are integrated world class risk and balance sheet management frameworks.

The Group's Capital Management Framework ("**CMF**") is designed to meet its key external stakeholders' needs, both those focused more on the adequacy of the Group's capital in relation to its risk profile (or risk versus solvency) and those focused more on the return or profitability of the Group relative to the risk assumed (or risk versus return). The challenge for management and the Board is to achieve an optimal balance between these two important dimensions.

All the Group's quantifiable risks across the 17 key risks of the ERMF are also captured in its Economic Capital Framework, where they are appropriately quantified and capitalised for.

Economic capital is a sophisticated, consistent measurement and comparison of risk across Business Units, risk types and individual products or transactions. This enables a focus on both downside risk (risk protection), upside potential (earnings growth) and shareholder value-add. The Group assesses the internal requirements for capital, using its proprietary economic capital methodology.

All of the quantifiable risks, as measured by economic capital, are then allocated back to the businesses in the form of a capital allocation to where the assets or risk-positions reside or originate.

Economic capital is embedded in the Group and the way the business is managed.

The Group's economic capital and ICAAP methodology is constantly reviewed and updated, taking cognisance of regulatory developments such as Basel III and Solvency II/Solvency Assessment and Management ("SAM").

Economic capital not only facilitates a 'like-for-like' measurement and comparison of risk across businesses, but, by incorporating it into performance measurement, the performance of each business can be measured and compared on an absolute basis by using economic profit ("EP") and a relative percentage return basis, namely return on risk-adjusted capital ("RORAC") – the same as return on equity ("ROE"), by comparing these measures against the Group's cost of capital.

Liquidity Risk Management Framework

Embedded within the Liquidity Risk Management Framework is the Group's Internal Liquidity Adequacy Assessment Process ("ILAAP"). The ILAAP involves an ongoing and rigorous assessment of the Group's liquidity self-sufficiency under a continuum of stress liquidity scenarios, taking into consideration the Board-approved risk appetite. The ILAAP also involves an ongoing review and assessment of all components that collectively make up and/or support the Liquidity Risk Management Framework. The objective of this review and assessment process is to ensure that the Liquidity Risk Management Framework remains sound in terms of measuring, monitoring, managing and mitigating liquidity risk, taking cognisance of best practise and regulatory developments.

In view of the significance of liquidity risk in banking, the ILAAP is conducted from both the Group and Nedbank perspective.

Recovery plan and stress testing

The Nedbank Recovery Plan establishes a framework for Nedbank to act quickly and decisively (for example, selling businesses and significant assets) during a severe crisis, to ensure that it is able to recover. The Nedbank Recovery Plan describes the integration with existing contingency planning and the possible recovery options, including a detailed assessment of their likely effectiveness and the defined points at which they would be invoked. The Nedbank Recovery Plan addresses stresses invoked by shortfalls in liquidity and capital, as well as significant operational failures that may jeopardise Nedbank's ability to continue normal business operations. The Nedbank Recovery Plan also covers the various options considered by senior management to mitigate stresses encountered by Nedbank.

The Nedbank Recovery Plan fits into and aligns with the ERMF and complements the Group's existing capital, liquidity and stress-testing policies and procedures.

SARB and the National Treasury are in the process of implementing a statutory bail-in option under South African law ("**Recovery and Resolution Legislation**"). The Recovery and Resolution Legislation (which is not yet law) is expected to implement a statutory bail-in option under South African law, and is expected to be based on the principles set out in, among others, the document entitled "*Strengthening South Africa's Resolution Framework for Financial Institutions*", the document entitled "*Ending too big to fail: South Africa's intended approach to bank resolution*" and the Financial Sector Laws Amendment Bill [B — 2018] ("**FSLAB**") (see the section of this Prospectus headed "*The Banking Sector in South Africa*" under "*Recovery and Resolution Legislation*" below). The Nedbank Recovery Plan will be appropriately enhanced when the FSLAB is enacted as law.

The Group has a comprehensive Stress and Scenario Testing Framework, which is used, among other things, to stress its base-case projections in order to assess the adequacy of the Group's capital levels, capital buffers and target ratios. The Stress and Scenario Testing Framework has been in place, and continuously

enhanced since 2006 and is an integral part of the Group's ICAAP under Basel III, and the Group's strategy and business plans.

Risk Appetite Framework

A comprehensive Risk Appetite Framework was first approved by the Board in 2006 and has recently undergone a significant enhancement to align to the current operating macro-environment and international best practice. It continues to be an integral component of the ERMF and is embedded in the Group's strategy and business plans.

Risk-adjusted performance measurement, management and reward

Economic capital, economic profit ("EP"), return on risk-adjusted adjusted capital ("RORAC") and risk-adjusted return on capital ("RAROC"), as well as other important metrics, are included in performance contracts across the Group. Economic capital and EP are comprehensively in use across the Group, embedded within businesses on a day-to-day basis and in performance measurement and reward schemes. This risk-adjusted performance measurement ("RAPM") has been applied across the Group for many years and helps ensure that excessive risk-taking is mitigated and managed appropriately within the Group.

To align the Group's current short-term incentive ("STI") scheme with shareholder value drivers, the STI scheme has been designed to incentivise a combination of profitable returns, risk and growth appropriately. It is driven from an EP and headline earnings basis, using risk-based economic capital allocation. Risk is therefore an integral component of capital allocation and performance measurement including reward in the Group.

The Group's remuneration practices and public disclosures are compliant with the evolving principles, practices and governance codes released for the South African financial services industry. The Group continues to monitor the evolving governance environment to ensure appropriate compliance of the Group's risk-adjusted remuneration practices with the relevant regulatory and/or statutory requirements.

Risk Appetite

Further information relating to NGL's and Nedbank's risk appetite can be found in the Nedbank Pillar 3 Document (see 1st paragraph under "Risk Governance and Culture" above).

Risk appetite is an articulation and allocation of the risk capacity or quantum of risk the Group is prepared to accept in pursuit of the strategy, and is duly set, approved and monitored by the Group Exco and the Board, and integrated into the Group's strategy, business, risk and capital plans. Nedbank has, over many years, cultivated a strong risk culture and embedded a prudent and conservative risk appetite, focused on the basics and core activities of banking and other financial services. The Risk Appetite Framework ("RAF") establishes the overall approach through which the Group practices commercial and controlled risk-taking.

The Group's Risk Appetite Statement ("RAS") is guided by the RAF which sets the principles for decision-making and risk taking that are aligned to strategic focus areas. The RAS is defined as the articulation in written form of the aggregate level and type of risk that the Group is willing to assume, or to avoid, in order to achieve strategic objectives. The RAS includes qualitative statements as well as quantitative measures expressed relative to earnings, capital, risk measures, liquidity and other appropriate measures.

The quantitative metrics include credit, market, capital, liquidity and earnings-related risks, including Interest Rate Risk in the Banking Book ("IRRBB") and operational risk. The earnings-at-risk is expressed by earnings volatility which measures 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. These measures, together with cyber risk appetite statements and other emerging non-financial risks, comprise the Group's core risk appetite statements.

In 2019, a comprehensive end-to-end refresh and review of the RAF was performed to take into account and align to international and industrywide best practice principles, with a particular focus on the following aspects:

- Principles for an effective RAF:
 - a. effective qualitative and quantitative Risk Appetite Statements;
 - b. risk limits and thresholds;
 - c. defining roles and responsibilities of the Board and Group Exco including their respective risk oversight committees;
- embedding risk appetite:
 - a. strategic business planning and stress testing;
 - b. monitoring, reporting and escalation of risk appetite including clearly defined process for management actions for risk appetite breaches;
 - c. Automation of risk appetite processes including data in use, systems and IT infrastructure in line with BCBS 239;
 - d. risk culture across the Group for appropriate mindset and behaviour in risk-taking;
- approach to risk appetite governance and the lines of defence model.

A process of increasing risk appetite coverage for non-financial and emerging risks including the 'C-Suite' of risks (e.g. Conduct risk, Climate risk, Change risk etc) is currently in progress to ensure that risk is effectively managed across the Group and for all risk types. This includes assessing concentration risk appetite for other risk types other than credit and market risks.

In addition, a large variety of other risk appetite metrics with targets, triggers, mandates and guidelines are in place for all the financial risks (e.g. credit, market, Asset and Liability Management ("ALM") and concentration risks). The suite of base-case risk appetite metrics is incorporated into the business plans at both Group and Business Cluster levels. Stressed (extreme event) risk appetite limits for the point-in-time risk appetite metrics are in place and are linked to the Group's stress and scenario testing programme.

Credit risk and investment risk appetite metrics and targets, as relevant to the approved business activities, have been cascaded down from Group level to each Business Cluster and major Business Units. Concentration risk appetite targets have been set for areas in Nedbank with exposures that have similar risk characteristics, which reduces the level of diversification, and that can have a material financial impact on Nedbank under adverse scenarios.

The Group also expresses risk appetite qualitatively 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 Group's three lines of defence. The Group has defined over-arching RAS which provides guiding principles and facilitates decision-making that is aligned to the key strategic focus areas, providing freedom within agreed boundaries.

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 Group's RAF. 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.

The Group has a strong risk culture and a conservative risk appetite, which is well-formalised, managed and monitored on an ongoing basis, bearing in mind the Board's ultimate approval and oversight. Risk appetite statements are reviewed annually and approved by the Board as part of the three-year Group Business Plan.

Stress and scenario testing

The Group has a comprehensive Stress and Scenario Testing Framework, of which the main objectives are to:

- Provide and maintain a robust, credible and readily accessible projections capability which is leveraged with confidence across the Group to support enhanced:
 - Strategic business planning.
 - Risk appetite setting and monitoring.
 - Risk management practices.
 - Pricing, portfolio tilt decisions, risk adjusted performance measurement.
 - Capital planning.
 - Liquidity and funding risk assessment and planning.
- Embed streamlined projection processes that minimise the burden of execution and allow for enhanced focus on the analysis and use of the results.
- Align with leading practices as informed by international regulatory expectations to ensure that the Group remains at the forefront of best-practice stress testing and world class risk management.
- Assess the effect of possible unexpected events on the Group's base case projections (stress testing), including:
 - Balance sheet changes, such as growth and portfolio mix.
 - Earnings growth, specifically topline revenue growth (volumes, fees, margins) and impairments which constitute the cost of risk.
 - Capital requirements, capital resources and adequacy of capital buffers for both regulatory and economic capital as part of the Internal Capital Adequacy Assessment Process (ICAAP).
 - Liquidity requirements, liquidity resources and adequacy of liquidity buffers for Board-approved risk appetite and the Internal Liquidity Adequacy Assessment Process (ILAAP).

This framework is integrated with the Group's risk appetite, capital adequacy projection model (for economic capital and regulatory capital) and strategic capital planning. It plays a particularly important role in:

- Providing forward-looking assessments of risk.
- Supporting strategic business planning.
- Supporting internal and external communication.
- Feeding into capital and liquidity planning, strategies and procedures.
- Informing the setting of the Group's risk tolerance.
- Addressing existing or potential, bank-wide risk concentrations.
- Recovery and resolution planning.
- Facilitating the development of risk mitigation or contingency plans across a range of stressed conditions.
- Providing an assessment of the adequacy of the capital and liquidity buffers that are in place.

The key features of the framework are as follows:

- A holistic view of the Group is considered.

- The Pillar 2 stress testing model (macroeconomic factor model ('MEFM')) allows for quick turn-around times, what-if analysis and analysis on the impact of management actions.
- Event-type or risk-type stress tests are further designed to probe for portfolio-specific weaknesses, incorporating all risk factors affecting a specific portfolio, including obligor-specific, industry and macroeconomic factors.
- Relevant current global and local economic and political environment-specific portfolio stresses, and Group specific concentrations and focus areas are considered.
- Senior management has active knowledge of, and where appropriate, involvement in the design of stress test scenarios, and in drawing up contingency plans for remedial action. Such participation helps to ensure that any remedial actions based on contingency plans drawn up in response to approved stress tests will be implemented.
- Market risk stress testing is performed daily and utilises a full portfolio revaluation technique.
- Extensive liquidity stress testing is performed, at both Nedbank and industry level, in order to appropriately determine Nedbank's liquidity profile, including the sizing of the liquidity buffer portfolio in the most optimal manner for seasonal, cyclical and/or stress events.
- Pillar 1 stress testing is performed by each Business Unit and is approved by the Business Unit Credit Committee or Cluster Credit Committee.

The Stress and Scenario Testing Framework in place is continuously enhanced and is an integral part of the Group's ICAAP under Basel III, and the Group's strategy and business plans. Stress testing results are reported to the Group Alco and GRCMC on a regular basis (at least quarterly). The forward-looking capability of the stress testing model ensures that management action can be taken in advance when necessary.

Risk Management

Further information relating to key risks and NGL's and Nedbank's approach to risk management can be found on pages 40 to 130 inclusive of the Nedbank Pillar 3 Document (see the 1st paragraph under "Risk Governance and Culture" above).

ERMF enables the Group to identify, measure, manage, price and control its risks and risk appetite, and then relate these to capital requirements to help ensure its capital adequacy and sustainability, and so promotes sound business behaviour by then linking these with performance measurement and remuneration practices.

ERMF has served Nedbank well and has been resilient through economic cycles. The Group has placed a strong reliance on ERMF and the three lines of defence model, which underpins Nedbank's aspiration to be 'world class at managing risk'.

However, in response to evolving, emerging risk trends, the changing business environment, the significant regulatory change and developments, ERMF was refreshed to remain relevant in the current internal and external environment.

Capital management

Further information relating to NGL's and Nedbank's approach to capital management can be found on pages 45 to 50 inclusive of the Nedbank Pillar 3 Document (see the 1st paragraph under "Risk Governance and Culture" above).

The Group's Capital Management Framework ("CMF") reflects the integration of risk, capital, strategy and performance measurement, including incentives, across the Group. This contributes significantly to successful enterprise-wide risk management.

The Board-approved Solvency and Capital Management policy document requires NGL and its banking subsidiaries (including Nedbank, Nedbank Private Wealth Limited, Nedbank Namibia, Nedbank

Swaziland, Nedbank Lesotho and Nedbank Zimbabwe Limited) to be capitalised at the higher of regulatory or economic capital.

A bank is required to hold capital primarily so as to be able to cope with or absorb significant unexpected losses ("ULs") in any particular year. From this follow the two key aspects of capital management:

- A banking group needs to ensure that the overall capital level is in line with a number of factors, such as the internal assessment of the level of risk being taken, the expectations of the rating agencies, the requirements of the regulators, and, not least of all, the returns expected by shareholders.
- A bank needs to ensure that the actual capital level is not only in line with this assessment, but that it takes full advantage of the range of capital instruments and capital management activities (e.g. dividend policy and share buy-backs) to optimise the financial efficiency of the capital base.

Sound capital management encompasses both of these aspects, critically supported by long-term capital planning.

Balance Sheet Management ("BSM") is mandated to champion the successful development and implementation of the CMF and the ICAAP across the Group. The capital management responsibilities (incorporating the ICAAP) of the Board and Group Exco are incorporated in their respective terms of reference (charters) contained in the ERMF. The Group Alco and Executive Risk Committee ("Alco"), in turn, is coordinated by BSM.

Credit risk

Further information relating to NGL's and Nedbank's approach to credit risk can be found in the Credit Risk section (pages 51 to 87 inclusive) of the Nedbank Pillar 3 Document.

Credit risk arises from an obligor's failure to meet the terms of a credit agreement. It is identified as a principle risk within the ERMF and is one of the core risks assumed as part of achieving Nedbank's business objectives. As at 30 June 2020, credit risk economic capital accounts for 63 per cent. of Nedbank's economic capital and 69 per cent. of regulatory capital requirements.

The aim of credit risk management is to deliver an earnings profile that will perform within acceptable levels of earnings volatility determined by Nedbank's overall risk appetite, while maximising Nedbank's economic profit. The Board sets Nedbank's credit risk appetite, which is cascaded down to Business Clusters and Business Units. The credit risk appetite targets include several quantitative measures relating to Nedbank's desired credit risk profile which allows for continuous monitoring of exposures to avoid undue concentrations and correlations.

Credit risk approaches across the Group

Credit rating systems are in place across the Group for both Nedbank's advanced internal rating based ratings systems ("AIRB") and the standardised approach ("TSA"), to calculate credit RWA under Basel III, together with sound governance processes to ensure that credit ratings are applied consistently across Nedbank.

The AIRB governance processes are well-established across Nedbank. Nedbank makes up 93,5 per cent. of the total credit extended by Nedbank are on the AIRB approach. The risk estimates generated from Nedbank's internal models are used across the credit process in running the business.

The TSA approach is applied for Private Wealth International and NAR subsidiaries credit portfolios. Conservative AIRB credit benchmarks are used to estimate internal economic capital for portfolios on the standardised approach. The Group does not use external credit assessment institutions or export credit agency ratings.

The Group's credit risk economic capital (or credit VaR) is more sophisticated than the AIRB and is calculated using credit portfolio modelling based on the volatility of unexpected losses ("UL"). This estimated UL is measured from the key AIRB credit risk parameters, which include the probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD") parameters, as well as taking LGD volatility, portfolio concentrations and intrarisk diversification into account.

Credit governance and structures

Credit risk is managed in accordance with the Group's three lines of defence. The first line of defence is represented by the client facing business. These businesses contain credit risk functions which are part of the second line of defence, with reporting lines to the head of the relevant Business Cluster. Group Risk has a separate credit risk function which is also part of the second line of defence. The third line of defence is represented by internal and external audit.

Credit risk is managed across the Group in terms of the Board-approved Group Credit Risk Management Framework ("**GCRMF**") and Group Credit Policy, which incorporate requirements from the banking regulations and outline the credit risk governance process, the process to establish the credit risk appetite and the authorisation and delegation of credit risk activities. These include the process of granting credit, monitoring exposures, calculating impairments and managing delinquent clients.

The GCRMF and Group Credit Policy establish the credit approval mandates for the various credit sanctioning authorities within the Business Clusters. Where a request for credit facilities exceeds the mandate, the credit request is submitted to the next higher mandate level. The highest authority for credit granting is the Large-exposure Approval Committee ("**LEAC**"), a sub-committee of the Board, whose function is the approval of credit applications that exceed the large-exposure threshold imposed by the Banks Act.

The GCC, a sub-committee of the Board, is designated by the Board to oversee material aspects of credit risk. This includes the duty to challenge and ultimately approve all material aspects of the AIRB. The GCC also provides oversight of IFRS 9 impairments (expected credit loss), as well as pricing and acquisition models. The GCC membership includes non-executive and executive directors, who have a general understanding of the AIRB. The GCC also receives reports from other forums, for example, Group Financial Control, who confirm compliance with the requirements of section 45 of the Companies Act in terms of financial assistance between related companies.

The GCC delegates the duty to monitor credit risk within business to the cluster credit committees ("**CCCs**"). There are CCCs for CIB, RBB, Nedbank Wealth and NAR. The CCCs are responsible for approving credit policy and credit mandates as well as reviewing Business Unit-level credit portfolios, compliance with credit policies, credit risk appetite parameters, IFRS 9 macro-economic forecasts and adequacy of impairments, EL and credit capital levels. CCC chairpersons are from Group Credit Risk ("**GCR**") and independent of business, to ensure the consistency of the credit rating process across Nedbank. Each CCC reports to the GCC on a quarterly basis to provide an overview of the credit portfolio, highlight key concerns identified, and discuss remedial actions.

The GCC delegates the independent oversight of credit risk management at an operational level to Group Credit Risk GCR. GCR independently monitors Nedbank's credit portfolio at a Business Cluster and Business Units level against established credit risk appetite limits. GCR also maintain the credit risk policies and procedures, credit committee charters, as well as the GCRMF. The Credit Model Validation Unit ("**CMVU**"), Nedbank's independent risk control unit required by the Regulations Relating to Banks, validates Nedbank's regulatory credit capital and IFRS 9 models. CMVU also champions the Basel III AIRB and IFRS 9 methodology across Nedbank. Model Risk Management ("**MRM**") ensures that model risk is optimised and effectively managed across Nedbank. MRM adopts a risk-based approach to validating non-regulatory models. These include pricing models, credit application models, and the macroeconomic forecast models used for IFRS 9 purposes.

Group Risk Analytics ("**GRA**") is responsible for the calculation and consolidation of credit economic and regulatory capital. GRA also maintains and enhances the inhouse-developed credit portfolio model ("**CPM**") system and the credit risk calculation engine system, as well as test and implement all credit regulatory model updates. GRA calculates and consolidates the IFRS 9 impairment (expected credit loss) calculations across Nedbank. GRA also performs credit risk analytics for Nedbank.

Credit risk measurement and methodology

The AIRB is fully implemented across all major credit portfolios. Under the AIRB credit risk is measured by the following components:

- EL is a 12-month estimate based on the long-run annual average level of credit losses through a full credit cycle based on historical data. LGD is calculated using data during downturn period, whereas the PD is determined using through-the-cycle ("TTC") data.
- PD measures the likelihood of a client defaulting on credit obligations within the next 12 months.
- EAD quantifies the expected exposure on a facility at the time of default. EAD models consider the likelihood that a client would draw down against available facilities in the period leading up to default.
- LGD is the economic loss Nedbank expects to incur on a facility should the client default. Basel III requires that banks use downturn-LGD ("dLGD") estimates in regulatory capital calculations, as PD and LGD may be correlated. dLGD measures the losses expected during economic downturn conditions.
- The credit risk parameters, together with the relevant Basel III capital formulae per asset class, culminate in the minimum regulatory capital requirements for credit risk. The regulatory credit risk models for PD, EAD and LGD form the cornerstone of Nedbank's internal rating and economic capital systems and are subject to the established model governance structure and processes.

Whenever possible, PD models are calibrated to long-term default and loss rates, ensuring that capital estimates meet regulatory requirements. Where suitably robust default rates are not available, for example in the case of low-default portfolios, external data sources are obtained when required.

The Group's master credit rating scale

The Group uses a master rating scale for the measurement of credit risk, which is the risk of the borrower defaulting excluding the effect of collateral or any loss mitigation. The Nedbank Group Rating ("NGR") master scale is a comprehensive PD rating scale, mapped to default probabilities and external rating agency scales. This enables the Group to measure credit risk consistently and accurately across its entire portfolio. A brief explanation of the scale follows:

- NGR01-12: Represents borrowers who demonstrate a strong capacity to meet financial obligations, and who have a negligible or low probability of default. This category typically includes the Group's large corporate clients, including financial institutions, parastatals and other government-related institutions.
- NGR13-20: Represents borrowers who demonstrate a satisfactory ability to make payments and who have a low or moderate probability of default. This category typically includes small and medium-sized businesses, medium-sized corporate clients and individuals.
- NGR21-25: Represents borrowers who are of higher risk. This category typically includes higher-risk individuals or small businesses, as well as borrowers that were rated higher on inception, but have deteriorated due to poor financial performance. However, the borrower has not defaulted.
- NP1-3: Represents clients that have defaulted.

Default Definition

Default occurs in respect of a client in the following instances:

Quantitative criteria:

- The client has exceeded its advised credit limit or is past due for more than 90 days on any material credit obligation to the Group.

Qualitative criteria:

- The Group considers that the client is unlikely to pay its credit obligations to the Group in full without the Group having recourse to actions such as realising security.

- The Group has consented to a distressed restructuring of the credit obligation, in accordance with SARB Directive 7 of 2015, that is likely to result in a reduced financial obligation.
- The Group has applied for the obligor's bankruptcy or similar order in respect of the obligor's credit obligation.
- The client is placed under business rescue in terms of the Companies Act, or the client requests a restructure of its facilities due to financial distress.

IFRS 9 Methodology

Impairments are raised for credit exposures in accordance with the International Financial Reporting Standard 9 ("**IFRS 9**"), which was adopted and implemented by Nedbank from 1 January 2018. IFRS 9 requires that an expected credit loss ("**ECL**") is calculated for all financial assets, except for financial assets classified or designated as fair value through profit and loss ("**FVTPL**") and equity securities designated as fair value through other comprehensive income ("**FVOCI**") which are not subject to impairment assessment. ECL is a discounted probability-weighted estimate of the cash shortfalls expected to result from defaults over the relevant time horizon. ECL calculations are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical credit loss experience, and expectations about future cash flows. Off-balance sheet items are also subject to impairment assessment and include financial guarantees and undrawn loan commitments. ECL is reported as Stage 1, Stage 2, or Stage 3.

Stage 1 ECL is calculated for Stage 1 assets, which are classified as performing loans and advances with no significant increase in credit risk ("**SICR**") since their origination. Assets originate as Stage 1 and remain within the Stage 1 classification unless a SICR event is triggered, or the default definition is met, which is tested at each reporting date. Stage 1 ECL is calculated by projecting PD, LGD and EAD over a maximum period of 12 months.

Stage 2 ECL is calculated for Stage 2 assets, which are classified as performing loans and advances but experienced a SICR since origination. A Stage 2 asset is one which is in arrears greater than 30 days past due, but less than 90 days past due, or for which the PD has deteriorated since origination. There is an established threshold for SICR based on a change in the lifetime PD of the asset, relative to the PD at initial recognition. Further, a set of portfolio-specific qualitative criteria may be indicative of a SICR. Nedbank recognises lifetime ECL for Stage 2 assets. If in a subsequent reporting period the credit risk of the asset improves such that there is no longer a SICR since initial recognition, then the asset is reclassified as a Stage 1 asset and the ECL calculation reverts to a 12-month ECL.

Stage 3 ECL is a lifetime ECL calculated for loans and advances which meet the default definition in accordance with the Regulations Relating to Banks. Nedbank considers that default has occurred when an asset is more than 90 days past due, or one or more events have occurred after the date of initial recognition of the instrument that have a negative impact on the estimated future cash flows of the instrument. This includes, but is not limited to, events that indicate that the borrower is experiencing financial difficulty, there is a missed payment, or there is a high probability of the borrower entering a business rescue or liquidation process. For retail portfolios this is product-centred, and default would be account-specific.

Defaulted advances, properties in possession and impairments

Defaulted advances

Nedbank Group's Stage 3 gross loans and advances ("**GLAA**") increased by increased by R11,6bn (42,08 per cent.) to R39,2bn as at 30 June 2020 (December 2019: R28bn), driven by the impact of Covid-19 on consumers and businesses, and the deteriorating SA macroeconomic environment.

Impairments

Impairments increased significantly, driven by the impact of Covid-19 on consumers and businesses, and the deteriorating SA macroeconomic environment. The group's impairment charge increased 202% to R7 675m and the CLR was up from 70 bps to 194 bps and as a result moved to above the group's TTC target range of 60 bps to 100 bps. The increase was driven by a R2,9bn charge for Covid-19-related judgemental overlays and IFRS 9 forward-looking macro-model adjustments, as well as the 42% increase in stage 3

advances as clients increasingly came under pressure. The impact of the overlays in H1 2020 was accentuated given the annualisation of the CLR ratio in the first half of the year and is therefore not yet comparable to the full-year GFC CLR peak of 152 bps.

Impairments in CIB increased by more than 100% to R2 380m and its CLR, at 127 bps, is above its TTC target range of 15 bps to 45 bps and compares with the 43 bps peak during the GFC. Stage 1 and 2 impairments increased as a result of IFRS 9 macro-model adjustments and overlays amounting to R1,2bn, as well as stage 3 impairments relating to specific counters (most notably those operating in the aviation, business services and selected SOE sectors). RBB's impairments increased by 122% yoy to R4 836m and its CLR, at 269 bps, increased to above the top end of its TTC target range of 130 bps to 180 bps as a result of R1,9bn judgemental overlays and increased levels of consumer stress resulting in stage 3 impairments increasing 155% yoy to R4,3bn. RBB's CLR compares with 256 bps during the GFC. The group's central provision was increased by R150m to R400m to account for any additional impairment required due to uncertainty pertaining to, among other things, unemployment rates (job losses), client behaviour and distress beyond the D3 relief period and as other emerging risks, which are not yet reflected in the data, impairment models or macroeconomic forecasts.

Credit risk mitigation

Credit risk mitigation ("**CRM**") refers to the actions taken by a bank to manage its exposure to credit risk, and to align exposure to its risk appetite. Actions can be proactive or reactive and the level of mitigation may be influenced by external factors such as the economic cycle, or internal factors, such as a change in risk appetite. CRM normally focuses on the collection and management of collateral, but there are other methods used to mitigate credit risk.

The Nedbank Group Credit Policy acknowledges the role of CRM to manage credit risk but emphasises that collateral on its own is not a justification for lending. The primary consideration for any lending opportunity should be the borrower's financial position and ability to repay the facility from its own resources and cashflow.

The AIRB allows banks to use the collateral value in their estimates of LGD, which directly influence RWA. TSA for credit risk allows the use of certain categories of collateral to reduce exposures before the risk weighting thereof, subject to suitable haircuts. Nedbank monitors the concentration risk that may arise from collateral to ensure that it is adequately diversified, irrespective of whether exposures are on the AIRB or TSA. Collateral, credit derivatives, netting agreements, put and call options, hedging and guarantees are all commonly used to reduce risk. The amount and type of CRM is dependent on the client, product and/or portfolio. Credit derivatives are transacted with margined counterparties, or through the issue of credit-linked notes. The following collateral types are common in the marketplace:

- Retail portfolio
 - Mortgage lending secured by mortgage bonds over residential property.
 - Instalment credit transactions secured by the moveable assets financed.
 - Overdrafts either unsecured or secured by guarantees, suretyships or pledged securities.
- Wholesale portfolio
 - Commercial properties supported by the property financed and a cession of the leases.
 - Instalment-credit-type transactions secured by the assets financed.
 - Working capital facilities, term and structured lending, being secured by a claim on specific assets (fixed assets, inventory and debtors), guarantees or credit derivatives (where internationally-recognised and enforceable agreements are used).
 - Credit exposure to banks is commonly mitigated by netting agreements and financial collateral.

Market risks

Further information relating to NGL's and Nedbank's approach to market risk can be found in the Nedbank Pillar 3 Document on pages 105 to 116 inclusive.

Market risk is the risk of loss arising from movements in market variables, such as foreign exchange rates, interest rates, equity prices, commodity prices, property prices, credit spreads and implied volatilities. Market risk arises in both the banking and trading book. Trading book positions are financial instruments (primary and derivative instruments) typically held with the intention of short-term trading, market making or to hedge other positions in the trading book and is free of trade restrictions. Any instrument not held for trading purposes, is assigned to the banking book.

Market risk comprises four main areas:

- IRRBB, which arises from repricing and/or maturity mismatches between on- and off-balance-sheet components across all the Business Clusters.
- Trading market risk (or position risk) in the trading book, which arises predominantly in CIB.
- Foreign exchange risk in the banking book, which is the risk to earnings or capital arising from the translation of the Group's non-trading related offshore assets, liabilities, commitments or earnings from foreign currency to local or functional currency.
- Equity investment risk in the banking book, which arises in the private equity and investment property portfolios of CIB and in other strategic investments of the Group.
- Property market risk, which arises from business premises, property required for future expansion and repossessed properties.

Other than IRRBB, Nedbank does not have a significant risk appetite for, or exposure to, market risk.

- Nedbank's IRRBB is positioned for an upward interest rate cycle and is predominantly managed in line with impairment sensitivity for similar rate change expectations.
- The focus of the trading businesses is to continue to develop the flow model, by leveraging the dealflow from clients.
- Equity risk in the banking book is low relative to the rest of the balance sheet. Investments that are accounted for under the equity method of accounting total R3 456 million as at 30 June 2020 (December 2019: R3 917 million). The equity portfolio that is fair-valued is R10 283 million as at 30 June 2020 (December 2019: R10 969 million). The portfolio declined by R686 million, largely due to negative revaluation adjustments as a result of the impact of COVID-19 pandemic on equity investment businesses and the difficult economic conditions.
- Foreign currency translation ("FCT") risk remains relatively low, even after the acquisition of equity stakes in ETI and Banco Único in 2014, as a result of the inclusion of foreign currency translation reserves in qualifying capital and reserves since 1 January 2013. Accordingly, FCT risk does not have a material impact on Nedbank's total regulatory CAR.

Market risk strategy, governance and policy

The Group Market Risk Framework recognises the importance of sound market risk management and bases its market risk management framework on the approach to identify, assess, control and manage market risk. The framework is approved by the Board and supported by:

- GRMC, which is accountable for the independent oversight of the adequacy and effectiveness of the Group Market Risk Framework which includes key risks, key performance indicators as well as strategic, business and operational risks. The Board ultimately approves the market risk appetite and related limits for both the banking and trading books.

- The Group Alco, which is responsible for ensuring that market risks are being effectively managed and reported on throughout the Group, and that all policies, risk limits and relevant market risk issues are reported to GRCMC.
- Group Market Risk ("**GMR**"), an independent function within the Group Risk Business Unit 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. GMR reports on the market risk portfolio to Group Alco and GRCMC and ensures 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.
- The Trading Risk Committee ("**TRC**") is responsible for the oversight and monitoring of the trading market risk activities of CIB. TRC approves appropriate trading risk limits for the individual Business Units within the trading area. TRC meetings are held monthly and are independently chaired by the Head of GMR. Members include the Chief Risk Officer, risk managers from the relevant Business Cluster, the relevant Business Cluster's Managing Executive and Executive Head of Risk, as well as representatives from GMR.
- Specialist investment risk committee meetings within the business areas 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 Chief Risk Officer, Chief Financial Officer, Managing Executive and Executive Head of Risk of the relevant Business Cluster as well as a representative from GMR.

Interest rate risk in the banking book

The Group is exposed to IRRBB primarily due to the following:

- Nedbank writes a large quantum of prime-linked advances.
- To lengthen the funding profile of Nedbank, term funding is raised across the curve at fixed-term deposit rates that are repriced 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 are repriced to different short-end base rates.
- Certain non-repricing transactional deposit accounts are non-rate-sensitive.
- Nedbank has a mismatch in net non-rate-sensitive balances, including shareholders' funds that are not repriced for interest rate changes.

IRRBB comprises:

- Repricing risk (mismatch risk) – timing difference in the maturity (for fixed rate) and repricing (for floating rate) of Nedbank assets, liabilities and off-balance-sheet positions.
- Endowment risk – the net mismatch between non-rate-sensitive assets, liabilities, capital and non-repricing transactional deposit accounts effectively invested in rate-sensitive assets.
- 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 related to interest-related options embedded in Nedbank products.

IRRBB strategy, governance, policy and processes

IRRBB is managed within the ERMF under market risk. The Board retains ultimate responsibility for the effective management of IRRBB. Through the GRCMC the Board has delegated its responsibility for the

management of IRRBB to the Group Alco. The Group Alco, a subcommittee of the GRMC, 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 of equity ("EVE"), within which this risk must be managed. Compliance with these limits is measured and reported to the Group Alco and the Board.

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, although larger, longer-dated deposits along with wholesale 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 impairment sensitivity, 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. IFRS 9 introduces a forward-looking ECL model that is directly linked to macroeconomic forecasts. This is expected to result in credit losses to be accounted for much earlier, such that the aforementioned lagged effect (i.e. endowment benefit realised before impairments increase in an upward trending interest rate cycle) is likely to disappear or even change to a lead effect with impairment impacts being realised earlier than the (partially) offsetting endowment impact. 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 through the ALM desk, whereby unwanted IRRBB is passed through a market making desk into trading market risk limits or into the external market.

The Group applies macro fair hedge accounting when fixed rate transactions and associated interest rate hedges meet the criteria set out in IAS 39. The macro fair value hedge accounting solution is used to recognise fair value changes related to interest rate risk on underlying hedged positions (hedged item) thereby reducing the profit or loss volatility that would otherwise arise from changes in fair value of the hedging interest rate swaps (hedging instrument) alone. At the inception of a hedging relationship, the Group designates and documents the relationship between the hedging instrument and the hedged item as well as its risk management objective and strategy for undertaking the hedging transactions and the nature of the risk being hedged. The Group also documents its assessment of whether the hedging instrument is effective in offsetting changes in fair value or cashflow of the hedged item attributable to the hedged risk. Hedge effectiveness is assessed at inception and throughout the term of each hedging relationship. Each hedging relationship must be expected to be highly effective (prospective effectiveness) and demonstrate actual effectiveness (retrospective effectiveness) on a monthly basis. Fair-value gains and losses arising on the measurement of both the hedging instrument and the hedged item are recognised in profit and loss, for so long as the hedging relationship is effective at each testing date. Any hedge ineffectiveness is recognised in profit or loss.

Hedged positions and hedging instruments are regularly measured and stress-tested for effectiveness and reported to Group Alco on a monthly basis. Group Alco typically has a strategic appetite out to one year and, largely as a matter of policy, eliminates repricing risk longer than one year, unless it elects to lengthen the investment profile of its equity and/or the non-repricing transactional deposit accounts to improve the alignment of interest rate sensitivity with impairment sensitivity or improve the balance sheet position for expected interest rate changes.

Such strategic decisions must, however, maintain net interest income ("NII") sensitivity and economic value of equity ("EVE") sensitivity within Board-approved limits. Strategies regarding the reprice risk are measured and monitored separately, having been motivated by BSM and approved by Group Alco.

IRRBB cannot be taken by Business Units and is accordingly extracted from these units through an established matched maturity funds transfer pricing ('MMFTP') 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, 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.

Liquid asset portfolios

Nedbank's management of IRRBB comprehensively covers the interest rate risk associated with its prudential and buffer liquid-asset portfolios, including reprice risk and basis risk.

Risk strategies comprise on- and off-balance-sheet components, whereby the associated interest rate risk of Nedbank's liquid-asset portfolios is used to reduce the reprice sensitivity associated with its fixed-rate term funding and long-term debt, to manage opposing risk on such funding and debt, or it is hedged using derivative positions to remove the associated repricing risk. Liquid-asset portfolios risk-managed with derivative positions in the banking book are designated into a macro fair-value hedge accounting solution.

Alternatively, where liquid-asset portfolios are not risk-managed in the banking book, such risk is transferred through market risk limits into the trading book.

Trading market risk

Trading market risk is the risk of loss as a result of unfavourable changes in the market value of the trading book resulting from changes in market risk factors over a defined period.

CIB is the only Business Unit in the Group that may incur trading market risk but is restricted to the 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, compliance and regulatory (e.g. exchange control and accounting) risks are addressed and that adequate operational procedures and risk control systems are in place.

Categories of trading market risk include exposure to interest rates, equity prices, commodity prices, foreign exchange 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, precious and base metals.
- Foreign exchange rate risk results from exposure to changes in spot prices, forward prices and volatilities of currencies.
- Credit spread risk results from exposure to changes in the interest rate that reflects the spread investors receive for bearing credit risk.

Trading market risk governance

The trading market risk governance structure is aligned with the Group Market Risk Framework. The daily responsibility for market risk management resides with the trading Business Unit heads in CIB. An independent market risk team is accountable for independent monitoring of the activities of the dealing room within the mandates agreed by the TRC. Independent oversight is provided to the Board by GMR.

Tier 1 market risk limits, including value at risk ("VaR") and stress trigger limits, are approved at Board level and are reviewed periodically, but at least annually. These limits are then allocated to the trading units through a tiered limit structure by the TRC. Market risk reports are available at a variety of levels and detail, ranging from individual trader-level right through to a Group-level view of market risk. Market risk exposures are measured and reported to management and Nedbank executives daily. Documented policies and procedures are in place to ensure that exceptions are timeously resolved.

Managing trading market risk

Trading market risk is governed by a Board-approved policy that covers management, identification, measurement and monitoring.

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 extreme tail loss ("ETL").
- Scenario analysis, stress tests and other analytical tools that measure the potential effects on 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 pre-tax profit due to adverse market movements over a defined holding period with a specified confidence level. 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 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 Group uses one year of historical data to estimate VaR. Some of the considerations that are 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.
- If a product or listing is new in the market, limited historical data would be available. In such cases, a proxy is chosen to act as an estimate for the historical rates of the relevant risk factor. Depending on the amount of (limited) historical rates available, regression analysis is used on the chosen proxy to refine the link between the proxy and the actual rates.

Additional risk measures are used to monitor the individual trading desks, including performance triggers, approved trading products, concentration of exposures, maximum tenor limits and market liquidity constraints. CIB also makes use of the ETL measure to overcome some of VaR's shortcomings. ETL seeks to quantify losses encountered in the tail beyond the VaR level.

All market risk models are subject to periodic independent validation in terms of the Group Market Risk Framework. A formal review of all existing valuation models is conducted at least annually. Should the review process indicate that models need to be updated, a formal independent review will take place. All new risk models developed are independently validated prior to implementation.

The Group's current trading activities are focused in liquid markets, which are in line with the current regulatory liquidity horizon assumption of a 10-day holding period, as per Basel III.

Equity risk in the banking book

Equity investment risk is the risk of decline in the value of investments arising from adverse movements in markets prices or factors specific to the investment itself (e.g. reputation, quality of management etc).

Equity investments are primarily undertaken by CIB as part of its private-equity and investment property portfolios. Additional investments are undertaken as a result of operational requirements or strategic investments.

The Board sets the overall risk appetite and strategy of the Group for equity risk, and business compiles portfolio objectives and investment strategies for its investment activities. These address the types of investments, expected business returns, desired holding periods, diversification parameters and other elements of sound investment management.

The ETI strategic investment is accounted for under the equity method of accounting. Investments that are accounted for under the equity method of accounting total R3 456 million as at 30 June 2020 (December 2019: R3 917 million).

The total equity portfolio that is fair-valued is R10 283 million as at 30 June 2020 (December 2019: R10 969 million). The portfolio declined by R686m, largely due to negative revaluation adjustments as a result of the impact of Covid-19 pandemic on equity investment businesses and the difficult economic conditions.

Asset and liability management

ALM addresses three of Nedbank'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 BSM and supports Group Alco and Alco in terms of facilitating Alco's responsibilities 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 and funding

Further information relating to NGL's and Nedbank's approach to liquidity risk and funding can be found on pages 88 to 102 inclusive of the Nedbank Pillar 3 Document (see the 1st paragraph under "Risk Governance and Culture" above).

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.

In terms of measuring, managing and mitigating liquidity mismatches Nedbank focuses on two types of liquidity risk, specifically funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that Nedbank 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 Nedbank 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.

Liquidity risk management is a vital risk management function in all entities across all jurisdictions and currencies, and is a key focus for the Group.

Liquidity risk governance and policy

The Board retains ultimate responsibility for the effective management of liquidity risk. Through GRCMC, the Board has delegated its responsibility for the management of liquidity risk to Alco.

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 Alco and approved by GRCMC.

Within Balance Sheet Management ("**BSM**") 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 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 GMR and Group Internal Audit ("**GIA**"), which conduct independent reviews.

In the case of the Group's subsidiaries and foreign branches, liquidity risk is managed through the individual Asset and Liability Committees 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 to Alco on a monthly basis.

Liquidity Risk Management Framework and management processes

Based on the Basel Committee's 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 (as depicted below) is managed by taking cognisance of:

- The Group's contractual maturity mismatch between assets and liabilities.
- The business-as-usual ("**BaU**") mismatch arising from normal market conditions.
- The stress-mismatch or stress funding requirement likely to arise from a continuum of plausible stress liquidity scenarios.
- The quantum of stress funding sources 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 ongoing and rigorous assessment of the Group's liquidity self-sufficiency under a continuum of stress liquidity scenarios, taking into consideration the Board-approved risk appetite. The ILAAP also involves an ongoing review and assessment of all components that collectively make up and/or support the Liquidity Risk Management Framework. The objective of this review and assessment process is to ensure that the Liquidity Risk Management Framework remains sound in terms of measuring, monitoring, managing and mitigating liquidity risk, taking cognisance of best practise and regulatory developments.

Based on the most recent internal review process it is evident that the Group is compliant with the Basel III 'Principles for Sound Liquidity Risk Management', with the Liquidity Risk Management Framework and ILAAP fully encapsulating the key principles embedded in the Basel III liquidity standards.

The Group's internal review and assessment process is designed to ensure that all components making up the Liquidity Risk Management Framework remain robust.

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 CFD is responsible for ensuring that Nedbank 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 CFD is responsible for maintaining close interaction with Nedbank's larger depositors in order to manage their cashflow requirements and the consequential impact on Nedbank's intraday liquidity position.

Liquidity buffer portfolio:

A portfolio of marketable and highly liquid assets, which could be liquidated to meet unforeseen or unexpected funding requirements, is maintained. 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.

Funding strategy formulation and execution:

In terms of achieving the Board-approved liquidity risk appetite, BSM formulates a detailed funding strategy on an annual basis, which is approved by Alco. The execution of the annual funding plan is then monitored monthly through the Funding Strategy Forum and 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.
- Maintain the funding profile to achieve the targeted contractual and BaU maturity mismatch.
- Achieve the lowest weighted average funding cost within the context of the targeted liquidity risk profile.

Scenario analysis and stress testing:

BSM 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 marketwide stress liquidity events. Through scenario analysis and stress testing BSM is able to:

- 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.

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.

In terms of assessing Nedbank's liquidity risk through stress testing and scenario analysis, Nedbank uses both its own internally based liquidity risk models and the outputs of the Basel III liquidity coverage ratio ("LCR") and the Net Stable Funding Ratio ("NSFR"). Nedbank is fully compliant with the minimum regulatory requirements of both the LCR and the NSFR.

While the Basel III LCR liquidity scenario assumes more extreme levels of stress Nedbank recognises, as per the internally based liquidity risk models, that various structurally favourable factors which contribute positively towards liquidity risk mitigation in South Africa, are not taken into account in the LCR approach. These include, for example, the closed nature of South Africa's money markets, resulting from exchange controls and the mechanics of the domestic settlement and clearing system, the higher proportion of loss

absorbing capital ("LAC") compared with many international jurisdictions and Nedbank's low foreign currency funding reliance, and hence low refinancing risk associated with external markets.

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 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 ("LSC").

Nedbank has developed a detailed Recovery Plan which sets out Nedbank's framework for dealing with a crisis emanating from a capital, liquidity and business continuity or operational event. These plans were updated in 2019 for NGL, Nedbank, Nedbank Private Wealth International (based in the Isle of Man), the London branch of Nedbank and the African subsidiaries in Lesotho, Swaziland, Zimbabwe, Mozambique and Namibia.

In terms of Nedbank's Liquidity Risk Management Policy it is a requirement that the LRCP and the recovery plan be periodically tested in order to ensure their effectiveness and operational feasibility. The LRCP and recovery plan were rigorously tested in August 2018 through a liquidity simulation that involved all relevant internal and external participants. The simulation was managed independently by one of the large audit firms and forms part of the Group's overall approach to stress testing. The Group performed well during this exercise and areas of improvement identified have been implemented.

Nedbank has developed an early-warning indicator or triggers report that is produced daily to identify any signs that a liquidity event may be prevailing or imminently about to occur, as evidenced by internal and/or external events. Any member of Alco can escalate trigger breaches to the Chief Executive, Chief Operating Officer, Chief Financial Officer and Chief Risk Officer as part of the LRCP invocation process.

Liquidity risk portfolio review

The Group is well funded with a strong liquidity position, underpinned by a significant quantum of long-term funding, an appropriately sized surplus liquid-asset buffer, a strong loan-to-deposit ratio consistently below 100 per cent. and a low reliance on interbank and foreign-currency funding.

From a Basel III perspective Nedbank has successfully implemented the LCR and NSFR, exceeding the minimum regulatory requirements.

Based on the most recent Internal Liquidity Adequacy Assessment Process ("ILAAP") it is evident that Nedbank continues to be compliant with the Basel 'Principles for Sound Liquidity Risk Management'.

Operational risk

Further information relating to NGL's and Nedbank's approach to operational risk can be found in the Nedbank Pillar 3 Document on pages 117 to 127 inclusive.

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risk.

Operational risk is inherent in all products, activities, processes and systems and is generated in all business and support areas. Nedbank's operational risk management and control systems are designed to help ensure that the risks associated with the Group's activities, including but not limited to those arising from process

error, failed execution, fraud, cyberattacks, breaches of information security, system failures, and physical security failures are appropriately managed.

The Group's approach to managing operational risk

The operational risk governance structure, supported by the four lines-of-defence model, forms an integral part of the Operational Risk Management Framework ("**ORMF**"). Group Operational Risk ("**GOR**") is the central operational risk function for Nedbank, independent from business line management, and forms part of the second line of defence reporting directly to the CRO. The primary executive and Board level committees overseeing operational risk are the Group Operational Risk Committee ("**GORC**") and Group Risk and Capital Management Committee ("**GRCMC**") respectively.

The independent GOR function, within the Group Risk central function, acts as the second line of defence in the ERMF. The primary responsibilities of GOR are as follows:

- To develop, maintain and champion the ORMF, policies and enablers to support operational risk management in the business, as well as implementation of Basel III, regulatory requirements and international best practice for operational risk management.
- To analyse the trends, emerging risks and recommend best practice in the management of operational risk.
- To estimate the Group's exposure to operational risk by applying the internal operational risk model.
- To provide a Group-wide challenge, oversight and reporting function.
- To provide an information technology system for the Group to manage operational risk.

The Group has developed a model to quantify operational risk which meets the regulatory capital standard under the Advanced Measurement Approach ("**AMA**") and is approved by the SARB Prudential Authority ("**SARB PA**"). The Group continues to invest in the improvement of its operational risk measurement and management approaches.

Furthermore, Nedbank, represented by GOR, is a member of and actively participates in the Operational Riskdata eXchange Association ("**ORX**"), the Institute of International Finance's Working Group on Operational Risk, the Banking Association of South Africa's Operational Risk Committee, and the Financial Sector Contingency Forum Operational Risk Sub-Committee.

Specialist areas in Group Risk, for example the Group Financial Crime and Forensic Services, Organisational Resilience, Group Legal, Chief Information Security Office and Group Insurance functions, also assist Group businesses with specialist advice, policies and standard setting. Operational risk trends are monitored and reported in the Enterprise-wide Risk Committees ("**ERCs**") and, where appropriate, to GORC and GRCMC.

GIA, being the third line of defence, provides independent assurance to Business Clusters, GORC and the Board.

Operational Risk Management Framework

Managing operational risk is key in all of the Group's business activities and is implemented through the ORMF. The ORMF supports the identification, assessment, management, monitoring and reporting of material operational risks. Group Risk continues to manage, implement and enhance the ORMF and its sub-policies and frameworks. The annual review of the ORMF ensures all policies, processes, methodologies and standards align with current local and international best practice. Amendments to the ORMF are approved by the GORC and are ratified by the Board's GRCMC.

Operational risk measurement, processes and reporting systems

The primary operational risk measurement processes in the Group include tracking of Key Risk Indicators ("**KRI**s"), Risk and Control Self-Assessments ("**RCSA**s"), monitoring of business environment and internal control factors ("**BEIC**s"), collection and governance processes of internal loss data ("**ILD**"), consideration of external loss data ("**ELD**"), scenario analysis and capital calculation. Operational risk

quantitative and qualitative tools are combined into a comprehensive methodology to measure and manage operational risk at Nedbank.

Internal loss data collection

The internal loss data collection process and tracking is backward-looking and enables the monitoring of trends and the analysis of the root causes of loss events. Operational risk losses are reported in the Internal Loss Data Collection System ("**ILD**CS").

Events relating to external fraud and execution, delivery and process management ("**EDPM**") remained the primary reasons for internal losses in terms of frequency and severity. EDPM event-type category's contribution to the operational risk loss profile decreased to 42,1 per cent. in 2019 (2018: 53,5 per cent.), while external fraud increased to 42,4 per cent. in 2019 (2018: 21,9 per cent.).

The Group's net losses, earnings at risk and Tier 1 Operational Risk Appetite ratio metrics remained within prescribed limits. All single material loss events of more than R5 million are reported to GORC and GRCCM, with a focus on identifying root causes and enhancing mitigating actions.

Boundary events

Boundary events are those losses that manifest themselves in other risk types, such as credit risk, but have relevance to operational risk because they emanate from operational breakdowns or failures. Material credit risk events caused by operational failures in the credit processes are flagged separately in ILDCS. In line with the Regulations Relating to Banks and the Basel III requirements, holding of capital related to these events remains in credit risk. These events are included as part of 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 ILDCS. The capital holding thereof is included in operational risk capital.

Capital modelling and capital allocation

Nedbank calculates its operational risk regulatory capital requirements using partial and hybrid AMA, with diversification, which has been in effect since 2010. The majority of the Group (90 per cent.) applies AMA, and only a small portion of the Group (10 per cent.), including operations in the NAR Business Cluster, applies The Standardised Approach ("**TSA**").

Under AMA, Nedbank has approval to use an internal model to determine risk-based operational risk capital requirements for all Business Clusters on AMA. ILD and operational risk scenarios represent the main direct input into the model. The outputs of the other data elements, namely external loss data and BEICFs, inform the scenarios. Expected losses and insurance offsets are not used to reduce the operational risk capital.

The model generates a regulatory capital requirement, which is determined at a 99,9 per cent. confidence level. The final capital is then calculated by including updates for TSA entities and meeting SARB PA minimum requirements relating to the prescribed AMA capital floor.

Operational risk capital is allocated on a risk-sensitive basis to Business 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.

The model and outputs undergo a robust annual validation exercise by an independent model validation unit. Any issues identified are reported, tracked and addressed in accordance with Nedbank's risk governance processes.

Nedbank's second-generation model, approved in June 2017, is part of Nedbank's efforts to implement the latest techniques and technologies for operational risk modelling, including to estimate economic capital and to evaluate its internal capital adequacy.

Operational risk appetite

Nedbank has a Board-approved operational risk appetite statement which is aligned to the Group Risk Appetite Framework. The operational risk appetite statement 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. Operational risk appetite is set at a Group and Business Cluster level, enabling the Group and Business Clusters to measure and monitor operational risk profiles against approved risk appetite limits. The Group continues to focus on refining the original operational risk appetite statement and participates in industry forums such as Operational Riskdata eXchange Association to enhance the process continuously.

Reporting

A well-defined and embedded reporting process is in place. Operational risk profiles, loss trends and risk mitigation actions and projects are reported to and monitored by the risk governance structures of the Group.

Insurance obtained to mitigate the Group's exposure to operational risk

The Group's insurance programme is structured in such a way that it encourages and contributes towards driving a high standard of risk management within the Group. The Group's insurable operational risk is not simply transferred to third-party insurers but the Group retains a significant interest in the financial impact for losses of certain classes of insurance within its captive insurance company, namely Nedbank Group Insurance Company Limited (NGICL). As a result of the Group's comprehensive self-insurance strategy, the Group is always cognisant of the fact that it must mitigate insurance risk as far as possible to protect the reserves of NGICL. The Group structures the programme in partnership with underwriters who ultimately bear the catastrophic losses arising from unpredictable type events and the Group manages the predictable higher frequency, lower severity losses through NGICL.

NGICL's retention structure has been instrumental in controlling pay away premium and has assisted the Group in adverse insurance market conditions where insurance rates hardened. Recent years reflect effective control in premium spend against insurance VaR. The Group renewed its insurance policies effective 1 June 2020 as terms expired, retaining the same self-insured retention structure as per expiry through NGICL, notwithstanding continued toughened insurance market conditions.

The Group's insurance arrangements allow for participation of the NAR operations subject to local insurance regulatory requirements, whilst ensuring adequacy of insurance limits and cover which local insurers in territory, would otherwise not have the capacity to underwrite. The Group's Insurance Department continuously engages within the Group in order to ensure that the insurance risk transfer solutions are relevant.

Managing subcomponents of operational risk

Specialist functions, policies, processes and standards have been established and integrated into the main ORMF and governance processes as described under the following sections.

Cyber resilience

Cyber risk is listed as a Nedbank top 12 risk and is continuously receiving the required focus by the Board and the Nedbank security community to address known and newly identified gaps through various initiatives to enhance cyber resilience and reduce residual operational risk.

There is an ever escalating cyber risk exposure on the back of the fourth industrial revolution, accelerated advances in technology and digital landscapes, and interconnectedness. Just like the rest of the industry, Nedbank is facing a significant escalation in cyberattacks. Cyber risk is actively managed in Nedbank through the Board-approved Cyber Resilience Programme and supported by the Cyber Resilience Risk Management Framework ("CRRMF"). Specific cyber-related focus areas are identified and agreed on annually to ensure enhanced governance and management action. Nedbank periodically performs cyber risk assessments and has adopted the Federal Financial Institutions Examination Council ("FFIEC") Cyber Maturity Framework for this purpose. This self-assessment is augmented through various independent assessments including red-team testing, attack path mappings and external benchmarks. Any known or newly identified gaps are incorporated and prioritised in the Cyber resilience Programme.

The operational risk processes include a cyber security scenario. This process ensures that cyber risks are formally assessed and agreed within the Group and that the appropriate capital is set aside to deal with these risks should they materialise.

Cybercrime risk

Nedbank continuously invests in its IT security to effectively detect and respond to cyber-attacks and its assumption is that these attacks will continue across the industry. Nedbank applies various measures to counter cybercrime and fraud, including client awareness campaigns, state of the art technology and digital forensic capability to detect and monitor suspicious activity and providing communication facilities where clients can report suspicious activity. Nedbank continues to work closely with industry bodies such as the South African Banking Risk Information Centre ("**SABRIC**"), peers and law enforcement agents to combat cybercrime and fraud. Nedbank has established an internal Computer Security Incident Response Team ("**CSIRT**") as well as a Cyber Crisis Management Team ("**CCMT**") to effectively respond to cyber incidents and cybercrime.

Risk Data Aggregation and Risk Reporting Programme

BCBS 239, Principles for effective Risk Data Aggregation and Risk reporting ("**RDARR**"), was issued in January 2013. The principles aim to strengthen banks' risk management practices by improving their RDARR practices. It is anticipated that complying with the principles will improve the ability of banks to provide rapid and comprehensive risk data by legal entity and business line. This will ultimately enhance banks' decision-making processes and improve their resolvability. This has been incorporated into local bank regulation through the SARB PA Directive 2/2015, which requires Domestically Systemically Important Banks ("**D-SIBs**") to comply with the principles from 1 January 2017.

Nedbank opted for a strategic approach by not only focusing on compliance, but also on implementing a sustainable solution that will address the management of enterprise data. This gave rise to the Enterprise Data Programme ("**EDP**"), which consists of three streams, namely:

- RDARR – focused on compliance with the BCBS 239 RDARR principles.
- IT infrastructure – selection and implementation of appropriate hardware and software.
- Data Management Organisation ("**DMO**") – establishment of the DMO and its related governance and data management capabilities.

As at June 2020 the RDARR stream is fully compliant with the RDARR Principles for the material major risk types (that is, Credit, Liquidity, IRRBB, Investment, Market and Operational).

Ongoing embeddedness of the RDARR principles will, going forward, be part of Nedbank's business-as-usual operations.

Organisational Resilience

Organisational Resilience in Nedbank ensures resilient Group business activities in emergencies and disasters. A centralised organisational resilience function provides overall guidance and direction, monitors compliance with regulatory and best-practice requirements and facilitates regular review of organisational resilience practices. Independent reporting and assurance of Business Continuity Plan ("**BCP**") activities is also provided and a focus on identifying critical processes and dependencies across the Group facilitates cost effective BCP strategies.

Simplification of the plan building process has saved business time when reviewing Nedbank's plans and has also made the plans more relevant. Campus plans avoid duplications in the plan building process.

All recovery testing relating to the Payments Association of South Africa ("**PASA**") is carried out with the quarterly disaster recovery tests at the Group's disaster recovery site. In total, 16 disaster recovery tests, including Gauteng, NAR, and Western Cape were conducted during 2019. The disaster recovery test held during this reporting period was audited by GIA and the test was successful.

Legal risk

The Group conducts its activities in conformity with the business, contractual and regulatory requirements applicable in each of the jurisdictions in which the Group conducts its business. Failure to meet these requirements may result in unenforceable contracts, litigation, fines, penalties or claims for damages or other adverse consequences.

The Legal Risk Policy is in place to ensure that sound operational risk governance practices are adopted in respect of legal risk. The policy addresses key legal risk types such as incorrect legal advice in respect of legal risk; significant new or amended laws; inappropriate selection and use of external lawyers; legal documentation used in transactions that is not enforceable as intended or may be enforced against the Group in an adverse way; inadequately managed litigation involving the Group as either claimant or defendant; insufficient protection of the Group's intellectual property; the breach of competition laws and reputational risk.

Nedbank has a decentralised legal risk model with central coordination. Group Legal performs the legal work for all central functions and deals with all the Group's corporate actions, intellectual property Group-wide and litigation against NGL and Nedbank Limited and material litigation against the Group's subsidiaries.

Financial crime

The Group recognises financial crime as a major operational risk that has the potential to result in significant losses. The Group therefore takes a proactive and vigorous approach to managing and mitigating this risk in all its forms.

Fraud risk management

Given the financial losses and potential negative social impact of fraud, the Group actively combats this type of crime and dishonesty within the Group while also focusing on protecting shareholders and clients from falling victim to unscrupulous individuals and organised-crime rings. Fraud monitoring and prevention measures include internal and external whistleblowing channels, numerous anti-corruption initiatives and ongoing investment into cybercrime-combating capabilities.

The Group places priority on creating awareness of the prevention and detection of fraud, not only among staff members but also the Group's clients. During 2019, a total of 2,667 staff members in the Group underwent face-to-face fraud prevention training. In addition, 2,897 representatives from 362 organisations in the Group's client base also received facilitated fraud awareness training.

Fraud awareness is created across the South Africa, offshore and NAR businesses.

During 2019, the Group saw the number of fraud (internal and external) cases reported or investigated increase to 15,810 (2018: 8 120) and experienced an increase in the overall value of the fraud cases reported.

The Group maintains a policy of zero tolerance towards any dishonesty among staff members. During 2019, a total of 134 (2018: 125) Group employees were dismissed for dishonesty following internal investigations.

Compliance and regulatory risk

See, in addition, the section of this Prospectus headed "*The Banking Sector in South Africa*" below.

Compliance and regulatory risk has become increasingly significant given the heightened regulatory environment in which financial services organisations operate. Banks in South Africa are required to comply with a significant number of statutes, as well as the relevant subordinate measures applicable to these. In addition, banks must stay abreast with all new regulatory documents that are published throughout the year. The Group remains committed to the highest regulatory and compliance standards, particularly in light of the increasing complexity of laws and regulations under which it operates.

Anti-money laundering, combating the financing of terrorism and sanctions risk management

Regulatory non-compliance relating to Anti-Money Laundering ("**AML**") and Combating the Financing of Terrorism ("**CFT**") and sanctions continue to receive focus with a view to addressing the weaknesses identified.

The Group will not be associated with money laundering ("**ML**") or terrorist financing ("**TF**") and has introduced policies, principles, methodologies, processes, systems and training to ensure statutory duties and regulatory obligations or, in their absence, agreed standards are met.

The Group will not have its name or brand associated with any form of money laundering, terrorist financing or breach of sanctions activities. To ensure this, the Group will identify any business relationship, transaction or prospective business relationship or cross-border transaction involving individuals, entities, countries, goods or activities targeted in applicable financial sanctions legislation and apply measures to combat the proliferation of weapons of mass destruction and other sanctioned activity.

The Group takes reasonable steps to ensure that finance or any other form of financial services provided by any entity in the Group is not used for the benefit of sanctioned individuals or entities or for the purpose of carrying out sanctioned activity or involving sanctioned goods.

The Group, through Nedbank, also maintains close and transparent working relationships with the Financial Intelligence Centre ("**FIC**") and the Prudential Authority. The Group attends biannual meetings with the Prudential Authority to ensure compliance with the regulatory requirements and to obtain clarification where necessary.

Various cash threshold, suspicious transaction, suspicious activity, terrorist financing activity and terrorist financing transaction reports are submitted to the FIC.

The Group employees are obliged to undergo, appropriate ongoing training on AML, CFT and sanctions risk management.

The Group continues to focus on the implementation of innovative initiatives that combat money laundering and terrorism financing and promote sanctions compliance.

THE BANKING SECTOR IN SOUTH AFRICA

Introduction

The Bank and Nedbank Group Limited, the Bank's "controlling company" under the South African Banks Act, 1990 ("**Controlling Company**", "**Nedbank Group**" and "**Group Limited**") are subject to government regulation in South Africa. Regulatory agencies have broad jurisdiction over many aspects of the Bank'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 relevant authority for purposes of, among other things, Basel III in South Africa and the South African Banks Act, 1990 is the Prudential Authority established in terms of section 32 of the Financial Sector Regulation Act, 2017 (see "*Financial Sector Regulation Act, 2017*" below) or such other governmental authority (if any) in South Africa as will have the responsibility for making decisions relating to the declaration of a bank as being non-viable ("**Prudential Authority**" and "**Authority**").

The Bank holds a full banking licence issued pursuant to the South African Banks Act, 1990 (see "*Banks Act, 1990: General*" below).

The Bank is an "*authorised dealer*" in foreign exchange in terms of the Exchange Control Regulations, 1961 promulgated under the South African Currency and Exchanges Act, 1933 (see the section of this Prospectus headed "*Exchange Control*" below).

The Bank is a central securities depository participant in Strate Proprietary Limited, and is a full member of the JSE Limited ("**JSE**"), in terms of the South African Financial Markets Act, 2012 (see "*Financial Markets Act, 2012*" below).

The Bank is an authorised "*financial services provider*" licensed to operate as such in terms of the South African Financial Advisory and Intermediary Services Act, 2002 (see "*Financial Advisory and Intermediary Services Act, 2002*" below).

The Bank is also a registered "*credit provider*" under the South African National Credit Act, 2005 (see "*National Credit Act, 2005*" 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, though the office of the Prudential Authority 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 Prudential Authority.

South African banks and South African banking branches of foreign banks are regulated by the SARB, through the office of the Prudential Authority and the Banking Supervision Department of the SARB, and are required to comply with the South African Banks Act, 1990 ("**Banks Act**") and the Regulations Relating to Banks (see "*Banks Act, 1990: Basel III*" below).

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, directives and guidance notes issued by the Prudential Authority set out the framework which governs the formal relationship between South African banks and the SARB.

The Prudential Authority issues banking licences to applicant institutions and monitors the activities of banks in terms of the Banks Act. The Prudential Authority has extensive regulatory and supervisory powers.

Every bank is obliged to furnish certain prescribed returns to the Prudential Authority and the Banking Supervision Department of the SARB in order to enable them 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 Prudential Authority acts with relative autonomy in executing its 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 money laundering legislation (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 Bank and representatives of the Prudential Authority meet at regular bi-lateral meetings, annual tri-lateral meetings (with the Bank's auditors) and annual prudential meetings (with the heads of each of the Bank's business divisions). The Bank also engages in quarterly "group discussions" with the Prudential Authority to assess its performance against its peer group and it is subject to on-site reviews.

The Bank's relationship with the Prudential Authority 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 Prudential Authority on a regular basis. The Bank also employs a senior, independent compliance officer to ensure adherence to the applicable legislation.

The Bank views its relationship with the Prudential Authority 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 Bank 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.

In principle, 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 Prudential Authority 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, directives and guidance notes issued by the Prudential Authority set out the framework which governs the formal relationship between South African banks and the SARB (see "*South African Reserve Bank*" above).

The winding-up of South African companies is regulated by both the "old" South African Companies Act, 1973 and the South African Companies Act, 2008 (see "*Companies Act, 2008*" below), and by the South African Insolvency Act, 1936. The winding up of banks is further governed by the Banks Act, in particular, sections 68 (*Special provisions relating to winding-up of bank*), 69 (*Appointment of curator to bank*) and 69A (*Investigation of affairs of bank under curatorship*).

In terms of the Banks Act, the Prudential Authority has the right to apply for the winding-up of a bank in terms of the Companies Act (see "*Companies Act, 2008*" below) and it may oppose any such application by another person. Only a person approved by the Prudential Authority may be appointed as the liquidator of a bank.

In addition to liquidation, a bank may be placed under curatorship by the Minister of Finance if the Prudential Authority is of the opinion that the bank is in financial difficulty (if, for instance, the bank is unable to repay its deposits).

On appointment of a curator, the management of the bank vests in the curator, subject to the supervision of the Prudential Authority. The curator is vested with the power to sell the assets of the bank, **provided that** such sale is in the ordinary course of the bank's business. While a bank is under curatorship, all actions, legal proceedings and legal process, including rights under collateral arrangements against the bank are stayed and may not be instituted or proceeded with, without the leave of the court.

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;
- make and carry out any decision in respect of the bank which in terms of the provisions of the Banks Act, the South African Companies Act, 2008, the bank's memorandum of incorporation or the rules of any securities exchange, on which any securities of the bank or its "controlling company" are listed, would have required an ordinary resolution or a special resolution of shareholders of the bank or its "controlling company";
- without limiting any other power of the curator, to propose and enter into an arrangement or compromise between the bank and all its creditors, or all the members of any class of creditors, in terms of section 155 of the South African Companies Act, 2008.

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.

In terms of the Banks Act, the provisions of sections 128 to 154 of the South African Companies Act, 2008, relating to business rescue do not apply to a bank (see "*Companies Act, 2008*" below).

Twin Peaks legislation

The COFI Bill (see "*Conduct of Financial Institutions Bill [B — 2018]*" below) envisages the appointment, by the Prudential Authority, of a statutory manager and/or a curator of "*financial institutions*" under certain circumstances. In addition, the COFI Bill envisages amendments to the application of Chapter 6 of the Companies Act to the business rescue of "*financial institutions*", and the application of the Companies Act to the winding-up of "*financial institutions*".

Banks Act, 1990: Basel III

General

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.

Circulars, guidance notes and directives

In terms of section 6(4) of the Banks Act, the Prudential Authority may from time to time "*by means of a circular furnish banks ... with guidelines regarding the application and interpretation of the provisions of [the Banks] Act*". Section 6(4) of the Banks Act provides that the Prudential Authority may from time to time "*by means of a guidance note furnish banks with information in respect of market practices or market or industry developments within or outside [South Africa]*". In terms of section 6(6)(a) of the Banks Act, the Prudential Authority may from time to time "*after consultation with the relevant bank, issue a directive to such a bank, either individually or collectively, regarding the application of the [Banks] Act*".

Main changes under Basel III

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, Tier 2 Capital (which is the least subordinated form of capital) will be allowed to constitute less than the current 33 per cent. of a bank's overall capital.
- Basel III has introduced two new buffers: a capital conservation buffer of 2.5 per cent. (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 per cent. and 2.5 per cent., depending on whether the rate of credit extension exceeds the growth of the real economy.
- 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, were able to meet the LCR requirements following the BCBS announcement on 6 January 2013 where amendments were made to the LCR calibrations and the definition of qualifying high-quality liquid assets ("HQLA") was broadened and additionally an LCR phase-in period was introduced. The Basel Committee released its final version of the NSFR in October 2014. However, based on domestic industry estimates at the time, compliance with the NSFR using BCBS calibrations would have been structurally challenging. On 13 December 2017 the SARB released a directive (D8/2017) relating to the NSFR, where it confirmed that the available stable funding factor (ASF) applicable to wholesale deposits in the 0 to 6 months bucket would be increased from 0 per cent. to 35 per cent. in order to better reflect the stability of these deposits within the South African context. Taking cognisance of the finalised Basel Committee NSFR standard and the directive issued by SARB, all South African banks were able to achieve NSFR compliance from the effective date of 1 January 2018. The key focus going forward, is now on achieving compliance within the context of balance sheet optimisation.
- Basel III also provides for enhanced capital requirements for derivatives, repurchase and securities financing transactions.

SARB has approved the provision of a committed liquidity facility ("CLF") to assist banks (including controlling companies) to meet the LCR, as more fully set out in Guidance Note 5/2019 headed "*Continued Provision of a committed liquidity facility by the South African Reserve Bank*" dated 23 August 2019 ("**Guidance Note 05/2019**"). In terms of Guidance Note 05/2019, among other things, each individual bank will be required to meet the level 1 HQLA requirement of the LCR on its own. The CLF is only available to banks with an LCR shortfall that is attributable to an inadequate supply of level 2 HQLA. The CLF is accepted at 40 per cent. of the total amount of HQLA that the particular bank is required to hold in Rand. For the purpose of entering into a facility agreement with SARB the size of the CLF will be capped at 40 per cent. of the full HQLA requirement, as projected for the year in which the relevant application is made. While Guidance Note 05/2019 confirms that SARB will continue to provide a CLF in the short-term it also confirms that the SARB will phase-out the CLF over a three-year period and will no longer provide such facility after 1 December 2021.

The potential negative systemic implications of phasing-out the CLF are uncertain and could, as an example, result in decreased lending to the real economy as deposits are re-deployed from existing loans and advances to the procurement of Level 1 and Level 2 HQLA as required to replace the CLF. Consequently, a banking industry wide phase-out of the CLF would result in the withdrawal of liquidity from the domestic financial system with potential unintended consequences in terms of credit extension to the economy. In addition, the CLF phase-out assumes that there are sufficient Level 1 and 2 assets freely available to replace the total bank wide CLF amount. If this is not the case the domestic capital market supply / demand equilibrium could be impacted causing yield curve pricing distortions.

The Issuer has been compliant with the Basel III LCR requirement since 01 January 2015 when the minimum regulatory requirement was set at 60 per cent. and has remained compliant throughout the transition period as the minimum regulatory requirement increased by 10 per cent. per year, where it reached the final 100 per cent. requirement on 1 January 2019.

Basel III is a minimum global standard and, accordingly, the Prudential 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 (including the Issuer) and the "controlling companies" of South African banks (including Nedbank Group) has been 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 have needed to optimally structure their capital base and reform their funding models to meet the requirements of the new liquidity ratios.

South African implementation of the Basel III Loss Absorption PONV Requirements

The Banks Act and Government Notice No 297 of 2016 published in *Government Gazette* No. 40002, dated 20 May 2016 ("**Regulations Relating to Banks**") provide for the full implementation of the Basel III Accord in South Africa. The Banks Act was most recently amended (with effect from 29 March 2018) by the Financial Sector Regulation Act, 2017 (see "*Financial Sector Regulation Act, 2017*" below).

Basel III requires the implementation of certain loss absorbing criteria under certain non-viability circumstances, as set out in the Basel III Accord ("**Loss Absorption PONV Requirements**").

Regulations 38(11)(b) and 38(12) of the Regulations Relating to Banks ("**Regulations 38(11)(b) and 38(12)**") provide for the Loss Absorption PONV Requirements, that is, the requirements with which Additional Tier 1 Notes and Tier 2 Notes (together the "**Subordinated Notes**"), Other Additional Tier 1 Capital Instruments and Other Tier 2 Capital Instruments (together with the Subordinated Notes, the "**Capital Instruments**") must comply in order for the proceeds of the issue thereof to as rank as Tier 2 Capital or Additional Tier 1 Capital (as applicable).

The language of Regulations 38(11)(b) and 38(12) reflects the relevant language in the Basel III Accord and, from a South African law perspective, this has led to number of uncertainties (see "*Uncertainties*" below).

The Prudential Authority has endeavoured to address these uncertainties by issuing, on a periodic basis, circulars, certain guidance notes in terms of section 6 of the Banks Act. Some (but not all) of these uncertainties have been clarified by, in particular, Guidance Note 06/2017 headed "*Loss absorbency requirements for Additional Tier 1 and Tier 2 capital*", dated 14 August 2017 ("**Guidance Note 06/2017**").

Capital Regulations

As at the date of this Prospectus, the capital regulations for purposes of Basel III in South Africa ("**Capital Regulations**") include (i) legislation (including the Banks Act, the Financial Sector Regulation Act, 2017 (see "*Financial Sector Regulation Act, 2017*" below) and/or any statutory bail-in option under South African law) then in effect in South Africa, (ii) regulations (including the Regulations Relating to Banks) then in effect in South Africa, (iii) the Circulars, Guidance Notes (including, without limitation, Guidance Note 06/2017 and Directives then in effect in South Africa issued by the Prudential Authority, which relate to and/or which provide for the implementation of the Basel III Accord in South Africa.

Loss absorption at the point of non-viability of the Bank - Loss Absorption PONV Requirements

Basel III requires the implementation of the Loss Absorption PONV Requirements (see "*South African implementation of the Basel III Loss Absorption PONV Requirements*" above).

As at the date of this Prospectus, the Loss Absorption PONV Requirements are required to be incorporated by contract in order to be effective. However, it is expected that duly enforceable Recovery and Resolution Legislation will be enacted in South Africa that will provide for, among other things, a statutory bail-in at the "point of resolution" (see "*Recovery and Resolution Legislation*" below).

Under the Loss Absorption PONV Requirements provided for in Regulations 38(11)(b) and 38(12) as read with Guidance Note 06/2017, the terms and conditions of Capital Instruments must have a provision that requires the Capital Instruments, at the discretion of the Prudential Authority, to either be written off and cancelled ("**Write-Off**", and "**Written Off**" shall be construed accordingly) or converted to the most subordinated form of equity ("**Conversion**" and "**Converted**" shall be construed accordingly) upon the occurrence of the relevant Trigger Event unless, among other things, duly enforceable legislation is in place:

- that requires the Capital Instruments to be Written Off upon the occurrence of the Trigger Event; or
- that otherwise requires the Capital 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 Prudential 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 Prudential Authority.

This Prospectus does not provide for the Conversion of Subordinated Notes on the occurrence of the relevant Trigger Event. Accordingly, all references to "Conversion" and "Converted" in this section headed

"Banks Act, 1990: Basel III" apply only to those Other Additional Tier 1 Capital Instruments and Other Tier 2 Capital Instruments to which "Conversion" is specified as being applicable in the relevant terms and conditions.

Uncertainties

Regulations 38(11)(b) and 38(12) have adopted the language of the Basel III Accord and this has led to 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(11)(b) and 38(12) and the criteria that will be taken into account by the Prudential Authority in determining the Trigger Event.

Regulations 38(11)(b) and 38(12) provide that the Write-Off or Conversion must occur "*upon the occurrence of the trigger event specified in writing by the [Prudential Authority]*". Currently, there is nothing in Regulations 38(11)(b) and 38(12) that requires the Prudential Authority to notify the Issuer or the relevant holders of the Capital Instruments that the Trigger Event has occurred.

It is not clear from Regulations 38(11)(b) and 38(12) whether the Issuer may select the Conversion or the Write-Off option upfront or whether the option will be determined by the Prudential Authority at the occurrence of the Trigger Event.

There are a number of uncertainties relating to the Conversion option, such as the nature of the ordinary shares into which the relevant Capital Instruments must be Converted and the valuation of these ordinary shares.

Guidance Note 06/2017 clarifies some (but not all) of the uncertainties described above (see "*Guidance Note 07/2017*" below).

As regards the uncertainty in relation to which entities may acquire Capital Instruments, see "*Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F) of the Regulations Relating to Banks*" below.

Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F) of the Regulations Relating to Banks

In terms of the previous Regulations Relating to Banks, no Capital Instruments could be held or acquired by "*the bank or any person related to or associated with the bank, or over which the bank exercises or may exercise control or significant influence*". There was uncertainty regarding the interpretation of this provision, particularly in light of the reference to "*any person related to or associated with the bank*", which would include the "controlling company" of a bank. However, where the bank is not listed on the JSE but its "controlling company" is then, in terms of Guidance Note 06/2017, where Conversion applies to the relevant Capital Instruments then, upon the occurrence of the Trigger Event, the "controlling company" is obliged to acquire the relevant Capital Instruments in "exchange" for the issue of ordinary shares to the relevant holders, notwithstanding that the "controlling company" is "*related to or associated with*" the bank.

Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F) of the Regulations Relating to Banks (the "**Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F)**") have clarified the uncertainty regarding which entities may acquire Capital Instruments. In terms of Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F), no Capital Instruments may be held or acquired by the "*bank or any person related to or associated with the bank over which the bank exercises or may exercise control or significant influence*".

Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F) now allow the relevant "controlling company" to purchase or acquire or hold Capital Instruments issued by the relevant bank. Nedbank Group may therefore purchase or acquire or hold Capital Instruments issued by the Issuer.

No proscribed entity referred to in Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F) may purchase or acquire or hold any Capital Instruments.

Guidance Note 06/2017

The Issuer understands the interpretation of Guidance Note 06/2017 (as read with the relevant provisions of Regulations 38(11)(b) and 38(12)) as at the date of this Prospectus to be as follows:

- The relevant Conditions of the relevant Capital Instruments must contain a provision that requires the relevant Capital Instruments, at the occurrence of the Trigger Event (at the discretion of the Prudential Authority), to either (i) be Written Off or (ii) be Converted to the most subordinated form of equity.
- The Issuer must clearly indicate in the relevant Conditions of the relevant Capital Instruments whether the Capital Instruments will, at the occurrence of the Trigger Event (at the discretion of the Prudential Authority), be Written Off or Converted. Accordingly, the Issuer must select and provide for the Conversion or the Write-Off option, in the relevant Conditions, prior to the Issue Date.
- The Trigger Event for Additional Tier 1 Notes and Other Additional Tier 1 Capital Instruments which are accounted as equity (if any) and Tier 2 Notes and Other Tier 2 Capital Instruments, respectively, will be the occurrence of the "trigger event" specified in writing by the Prudential Authority; **provided that**, as a minimum, the aforesaid "trigger event" shall be the earlier of:
 - a decision that a write-off, without which the Issuer would become non-viable, is necessary, as determined by the Prudential Authority; or
 - the decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by the Prudential Authority.
- The purely "discretionary" nature of the Trigger Event will therefore remain applicable to Additional Tier 1 Notes and Other Additional Tier 1 Capital Instruments which are "accounted as equity" (if any) and Tier 2 Notes and Other Tier 2 Capital Instruments.
- The Trigger Event for Additional Tier 1 Notes and Other Additional Tier 1 Capital Instruments 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 Prudential Authority; **provided that**, as a minimum, the aforesaid "trigger event" shall be the earlier of:
 - a decision that a write-off, without which the Issuer would become non-viable, is necessary, as determined by the Prudential Authority; or
 - the decision to make a public sector injection of capital, or equivalent support, without which the Issuer would have become non-viable, as determined by the Prudential Authority; or
 - the CET 1 Ratio of the Issuer is equal to or falls below 5.875 per cent. of risk-weighted exposures.
- The CET 1 Ratio criterion for determining the occurrence of the Trigger Event is accordingly only relevant in determining the occurrence of the Trigger Event which will be applicable to Additional Tier 1 Notes and Other Additional Tier 1 Capital Instruments which are "accounted as liabilities".
- The Prudential Authority will notify the Issuer in writing once the Prudential Authority determines that the Trigger Event has occurred (see "*Determination and notification of Trigger Event*" below).
- Notwithstanding the occurrence of the Trigger Event, the Prudential Authority has a discretion to (i) take action and allow the Write-Off or Conversion to occur in order to effect an increase the CET 1 Ratio such that the Issuer will be deemed by the Prudential Authority to be viable again or (ii) take no action and not require the Write-Off or Conversion to occur.

- Write-Off or Conversion) need only occur up until the point where the Issuer is deemed by the Prudential Authority to be viable again, as specified in writing by the Prudential Authority.
- In terms of statutory ranking, Additional Tier 1 Notes and Other Additional Tier 1 Capital Instruments are likely to be Written Off or Converted prior to any Write-Off or Conversion of Tier 2 Notes and Other Tier 2 Capital Instruments. The Capital Instruments to be Written Off or Converted at the occurrence of the Trigger Event (at the discretion of the Prudential Authority) will be determined by the Prudential Authority.
- The Prudential Authority will also determine whether, at the occurrence of the Trigger Event (at the discretion of the Prudential Authority), the Total Principal Amount or the Relevant Portion of the Principal Amount will be Written Off or Converted, such determination to be based on the book value of the relevant Capital Instruments as reflected in the Issuer's financial statements or management accounts at the relevant time (with reference to the amount required to increase the CET 1 Ratio such that the Issuer will be deemed by the Prudential Authority to be viable again).
- Where, at the occurrence of the Trigger Event, the Prudential Authority determines that the Relevant Portion of the Principal Amount will be Written Off or Converted, then if, after the Write-Off or Conversion, the relevant Capital Instruments are to be redeemed pursuant to the relevant Conditions, the amount of principal and accrued but unpaid interest to be paid to the holders of the relevant Capital Instruments 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 (as applicable) may occur at the occurrence of the Trigger Event (at the discretion of the Prudential Authority), up to the point where the Issuer is deemed by the Prudential Authority to be viable again, as specified in writing by the Prudential 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 (as applicable) may occur at the occurrence of the Trigger Event (at the discretion of the Prudential Authority), up to the point where the Issuer is deemed by the Prudential Authority to be viable again, as specified in writing by the Prudential Authority.

Write-Off:

Where Write-Off applies to any Capital Instruments:

- The Unpaid Amount must be Written Off permanently with no provision for a write-up once the Issuer becomes viable again.
- If compensation is to be paid to the holders of such Capital Instruments as a result of the Write-Off, such compensation must be paid to such holders in the form of ordinary shares in the share capital of Nedbank Group (as the JSE-listed "controlling company" of the Issuer).

Conversion:

This Prospectus does not provide for the Conversion of Subordinated Notes on the occurrence of the relevant Trigger Event.

Recovery and Resolution Legislation:

- SARB and the National Treasury are in the process of implementing a statutory bail-in option under South African law ("**Recovery and Resolution Legislation**") (see "*Recovery and Resolution Legislation*" below).

- The relevant Conditions of Capital Instruments are likely to remain in force for Capital Instruments issued prior to the introduction of the Recovery and Resolution Legislation subject, in the case of Subordinated Notes, to Condition 12(d) (*Disapplication of Non-Viability Loss Absorption Condition*).
- The Bank has the option to provide in the relevant Conditions that, once the Recovery and Resolution Legislation is promulgated and comes into force, if any provisions of the Conditions conflict with any provisions of the Recovery and Resolution Legislation, those provisions of the Recovery and Resolution Legislation will automatically replace those provisions of the Conditions, and the proceeds of the issue of the relevant Capital Instruments will continue to rank as Tier 2 Capital or Additional Tier 1 Capital, as the case may be. See, in relation to Subordinated Notes, Condition 12(d) (*Disapplication of the Non-Viability Loss Absorption Condition*) of the Conditions which applies, subject to certain conditions, where a Statutory Loss Absorption Regime is implemented in South Africa.

A number of the Conditions are (or will be) based on (or extracted from) Regulations 38(11)(b) and 38(12) as read with the applicable provisions of Guidance Note 06/2017.

Determination and notification of Trigger Event:

The Prudential 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 Capital Instruments, the Prudential Authority has discretion to determine whether or not (i) a Write-Off or Conversion (as applicable) or (ii) a public sector injection of capital, is required in order to avoid the Bank ceasing to be viable. For additional uncertainties relating to the determination and notification of the relevant Trigger Event, see the section of this Prospectus headed "Risk Factors" under "Determination and Notification of Trigger Event" above).

Recovery and Resolution Legislation

As at the date of this Prospectus, the only explicit reference to the write-down or conversion of liabilities in South African financial sector legislation are the Loss Absorption PONV Requirements, as set out in Regulations 38(11)(b) and 38(12).

In terms of Regulations 38(11)(b) and 38(12), Capital Instruments must contain a provision that allows the Capital Instruments, at the occurrence of the relevant Trigger Event, to be either Written-Off or Converted at the discretion of the Prudential Authority. The Write-Off and Conversion provisions contained in Regulations 38(11)(b) and 38(12) are contractual in nature and are supervisory mechanisms to enable a bank to recover from a distressed situation. This bail-in mechanism forms part of the recovery process, rather than being a resolution mechanism.

However, Recovery and Resolution Legislation is in the process of being finalised in South Africa. The Recovery and Resolution Legislation (which is not yet law) is expected to implement a statutory bail-in option under South African law, and is expected to be based on the principles set out in, among others, the document entitled "Strengthening South Africa's Resolution Framework for Financial Institutions" ("**Resolution Framework**") and the document entitled "Ending too big to fail: South Africa's intended approach to bank resolution" ("**SARB Document**"), as well as the provisions of the Financial Sector Laws Amendment Bill [B — 2018] ("**FSLAB**").

The bail-in option will empower the SARB (as the resolution authority) to re-capitalise 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 will include the power to cancel a liability or modify the terms of contracts for the purposes of reducing or deferring the liabilities of the financial institution (including both senior and subordinated liabilities) and the power to convert a liability from one form to another.

The Resolution Framework

The Resolution Framework, which was released in August 2015, sets out the motivation, principles and policy proposals for a strengthened framework for the resolution of designated financial institutions (each,

a **"designated resolution institution"** or **"DRI"**) in South Africa. DRIs include banks. The Resolution Framework makes (among others) the following points and proposals:

Introduction:

Systemically important financial institutions ("**SIFIs**") are financial institutions whose distress or disorderly failure would, because of their size, complexity and systemic interconnectedness, cause significant disruption to the wider financial system and economic activity. Banks are most likely to be designated SIFIs from a resolution perspective because of their deposit-taking, maturity transformation and payment system roles.

Under normal insolvency proceedings, the only options available when an SIFI fails are either an injection of public (taxpayer) funds to rescue the institution or a disorderly insolvency with high economic cost. Because of the size of large SIFIs relative to the economy, a rescue with public funds can be unaffordable or (at the very least) have long-term fiscal effects. Regardless of the affordability aspect, bail-out with public funds carries major moral hazard risks and reduces market discipline, both of which give rise to higher-risk financial systems over the longer term.

Normal insolvency processes are insufficient for the orderly resolution of an SIFI. A special resolution regime provides a third option to deal with the failure of an entity that may be a SIFI, thus improving efficiency by containing both fiscal costs and systemic impact.

Entry into resolution:

According to the Key Attributes of Effective Resolution Regimes for Financial Institutions ("**KAs**"), resolution should be initiated when a financial institution is no longer viable or likely to be no longer viable, and has no reasonable prospect of becoming so. When a financial institution enters resolution, all the recovery options within the control of the financial institution and regulators should have been depleted or become ineffective, and it should be clear at that point that the financial institution will not be able to survive without intervention in terms of the powers provided for in the FSLAB, possibly (but as a last resort) combined with some form of official support.

The current regulatory framework for banks provides for the Prudential Authority to take certain recovery actions in the context of Additional Tier 1 and Tier 2 capital instruments when a bank becomes or is likely to become non-viable – the so-called point of non-viability ("**PONV**").

In order to make a clear distinction between the PONV in the regulatory framework and the point at which the SARB (as the resolution authority) takes responsibility for the resolution process and the resolution powers of the FSLAB are activated, the latter is referred to as the point of resolution ("**POR**"). The triggers for the POR have to be qualitative rather than quantitative, as events that trigger the failure of DRIs are often unforeseeable and should not limit the SARB's ability to act when necessary.

Once the SARB (as the resolution authority) is satisfied that the criteria for triggering the POR have been met, it can make a recommendation to the Minister of Finance to put an institution in resolution. Once the SARB is satisfied that an institution has become viable again, it can recommend that the Minister of Finance allow the institution to exit resolution. Once in resolution, the SARB has the full set of resolution powers in the FSLAB to its avail.

Bail-in within resolution:

Bail-in refers to any process through which losses are applied to selected liability holders and shareholders in order to recapitalise an institution. "Bail-in" is any process outside of liquidation that has the effect of allocating losses to liability holders or shareholders, for the purpose of increasing the capital ratio of the institution. There are different mechanisms and methodologies that can be applied to allocate losses and to recapitalise an institution, as discussed in the Resolution Framework.

The SARB should have a toolkit of appropriate mechanisms available to adequately implement a bail-in of creditors or shareholders of any DFI, regardless of its size, complexity or structure.

In order to comply with the KAs, South Africa's resolution framework should explicitly allow the SARB to assign losses to shareholders and certain classes of creditors of a failed DRI, with or without their consent, in order to mitigate the risk of having to bail out the failed DRI.

Bail-in powers are currently partially provided for in the Banks Act, as set out below. However, South Africa's resolution framework does not currently have clear, transparent and explicit bail-in powers as required in the KAs, and the existing arrangements require some sort of consent from the creditors to be bailed in. It will be quite difficult under the current arrangements to apply bail-in to a DRI that is a financial conglomerate with both banking and non-banking entities, that has cross-border operations, that is very large or that has complex legal, operational and organisational structures.

Currently, the only explicit reference to the Write-Off or Conversion of liabilities in the South African framework is the "PONV" Write-Off and Conversion of Additional Tier 1 and Tier 2 instruments, as set out in Regulations 38(11)(b) and 38(12) (as read with Guidance Note 06/2017) (see "*South African implementation of Basel III*" under "*Guidance Note 06/2017*" above).

Regulations 38(11)(b) and 38(12) set out certain loss-absorbing requirements for Additional Tier 1 and Tier 2 instruments, including a requirement that the instruments must contain a provision that allows such instruments, at the occurrence of the relevant Trigger Event, to be either Written Off or Converted at the discretion of the Prudential Authority. The Write-Off and Conversion provisions contained in Regulations 38(11)(b) and 38(12) are contractual in nature and are supervisory mechanisms to enable a bank to recover from a distressed situation. These bail-in instruments form part of the recovery process, rather than being a resolution mechanism.

Bail-in can be conducted either through a contractual agreement between the institution and the creditor or investor, or through statutory powers that do not require agreement by the creditor or investor:

Contractual bail-in: Contractual bail-in can be implemented in cases where the instruments contain terms that allow them to be written off or converted by the regulatory authority, regulator or even the institution itself when a defined "trigger event" occurs. The creditor agrees at the outset when the instrument is issued that its claim against the failed DRI, which derives from the instrument, may be reduced or negated when the "trigger event", as set out in the terms, is breached. In the case of resolution, the "trigger event" will occur when the institution is placed in resolution. This mechanism should be incorporated where the regulatory framework requires regulated institutions to hold certain instruments as a layer of loss-absorbing capacity ("LAC"), such as regulatory capital, gone-concern loss-absorbing capacity ("GLAC") or both of the aforesaid in the form of total loss-absorbing capacity ("TLAC"). The Basel III framework requires that all newly issued debt instruments should contain a contractual bail-in clause in order to qualify as capital.

Statutory bail-in: In terms of statutory bail-in, the funding instruments or liabilities of DRIs do not require a contractual term that allows them to be bailed in. Instead, the resolution legislation allows the regulatory authority to exercise bail-in powers when the DRI enters resolution. The resolution framework should specify which bail-in powers and mechanisms are available to the regulatory authority and under which circumstances certain instruments will be subject to bail-in. Statutory bail-in provisions ensure that the regulatory authority has the legislative power to implement bail-in, even if the institution does not have enough liabilities with contractual bail-in clauses. Through statutory powers, the regulatory authority can effect bail-in without the consent of shareholders or creditors. Statutory bail-in powers also make it possible to bail-in instruments in a situation where it is not possible to include contractual bail-in clauses in the agreement, such as perpetual preference shares already in issuance or deposits.

Conditions for effective bail-in: Bail-in may be seen to impact on the rights of affected shareholders and creditors. If implemented inconsistently or prematurely, it could have several negative consequences, including constitutional challenges and costly legal action against the regulatory authority. In order to mitigate possible negative consequences and inspire confidence in the financial sector that bail-in will be implemented with caution, and with respect to the rights of investors, the resolution framework should include conditions that should be met before any of the bail-in powers can be exercised by the regulatory authority.

The following conditions should apply for bail-in within resolution:

Bail-in without the consent of shareholders and creditors (i.e. pure statutory bail-in) should only be applied to DRIs where liquidation has to be avoided. The regulatory and resolution framework should provide for the identification of a DRI in order for the aforesaid condition to be set.

The purpose of bail-in is to restore the capital adequacy of the failed DRI. However, restoring the solvency is only meaningful if there are good prospects for the DRI (or the retained part of it) to recover and become

viable again. Therefore, for bail-in to be successful, it should be used in conjunction with the other resolution tools to ensure the viability of the institution, such as restructuring, change of management, selling of assets, and so forth. Bail-in restores an institution's solvency, while the supporting interventions restore the institution's viability.

Bail-in and creditor hierarchy: It should be noted that bail-in and creditor hierarchy are two separate issues. Bail-in is typically applied by the regulatory authority outside liquidation (or in an attempt to avoid the liquidation of a DRI). Creditor hierarchy only applies in liquidation, but becomes relevant in the context of bail-in because of the KA safeguard that no creditor should be worse off through bail-in than it would have been in liquidation (that is, the no-creditor-worse-off ("NCWO") rule – see "*Creditor hierarchy for financial institutions in liquidation*" below.)

Creditor hierarchy for financial institutions in liquidation:

The creditor hierarchy in liquidation forms the core of a jurisdiction's insolvency framework. When assessing a country's insolvency framework and developing the framework for dealing with the failure of specific institutions – in this case financial institutions – it is important to consider and, where necessary, improve the insolvency creditor hierarchy for those specific institutions.

The importance of the creditor hierarchy in liquidation is confirmed in the KAs, which require member jurisdictions to adopt resolution frameworks that respect the creditor hierarchy in insolvency when resolution measures are applied, specifically those measures that affect shareholders and creditors. The NCWO rule serves as a safeguard for creditors and investors and aims to ensure that no creditor is worse off in resolution than it would be in normal liquidation. In order to adhere to the NCWO rule, the sequence in which creditors are bailed-in should respect and be in line with the hierarchy of creditor claims in liquidation.

Based on the considerations set out in the Resolution Framework, it is deemed necessary to afford, at least, preference to qualifying depositors and for the insolvency framework to explicitly subordinate specified instruments in order to make them loss-absorbing in resolution. These specifically identified instruments will form part of an institution's total loss-absorbing capacity ("TLAC"), which includes both going-concern regulatory capital requirements and instruments that can become loss-absorbing in resolution (the so-called gone-concern loss-absorbing capacity, or "GLAC").

The creditor hierarchy in the insolvency framework should be amended, taking into account considerations specific to financial institutions, and should provide for the following ranking of creditors:

- secured creditors: existing preference in line with the South African Insolvency Act, 1936;
- preferred creditors: existing preference in line with the South African Insolvency Act, 1936;
- qualifying depositors (for the full amount of their deposits above the coverage limit): preference afforded to replenish the Deposit Guarantee Scheme ("DGS") and protect retail and small and medium enterprise (SME) depositors;
- unsecured creditors: all other depositors and creditors remain concurrent; and
- total loss-absorbing capacity ("TLAC") instruments specifically identified and disclosed as loss-absorbing.

The creditor hierarchy proposed above provides room for the SARB to apply a bail-in sequence in a way that the NCWO rule is adhered to. The creditor hierarchy should provide for a sufficient amount of available bail-in liabilities to the level necessary to recapitalise an institution, taking into consideration the funding of the financial sector. These bail-in liabilities are referred to as 'FLAC instruments' (see "*The SARB Document*" and "*The FSLAB*" below).

The bail-in sequence in resolution should respect the proposed creditor hierarchy in liquidation. If the proposed creditor hierarchy is adopted, bail-in would simply apply in the reverse order of the cascade of claims in insolvency, subject to additional exclusions that may have to be applied for financial stability reasons.

The proposal on the sequence of bail-in is to set guidelines for when the SARB deviates from the *pari passu* treatment of creditors within the same class. The following sequence of loss-absorption is proposed:

- (i) total loss-absorbing capacity ("TLAC") instruments (as identified in resolution plans):
 - (a) ordinary shares;
 - (b) preference shares; and
 - (c) pre-identified loss-bearing instruments, including Additional Tier 1 instruments, Tier 2 instruments and 'TLAC instruments' (see "*The SARB Document*" and "*The FSLAB*" below);
- (ii) unsecured creditors:
 - (a) other marketable securities and wholesale funding; and
 - (b) trade creditors;
- (iii) qualifying guaranteed depositors (for the full amount of their deposits above the coverage limit):
 - (a) preferred creditors; and
 - (b) secured creditors.

Powers available in resolution:

The KAs list a wide range of powers that should be available to the SARB to enable it to resolve DRIs. These powers differ in their intensity, and the use of them would be proportionate to the severity of the systemic event and the characteristics of the failing institution/s. However, an underlying principle is that none of the powers available to the SARB should involve any public funding. If there is a need, or a likely need, that a specific resolution strategy may require taxpayer funds, the power to authorise such a strategy vests in the Minister of Finance.

Power of bail-in:

The SARB should have the power to:

- write-down or write-off, in a manner that respects the hierarchy of claims in liquidation, equity or other instruments of ownership of the DRI, unsecured and uninsured creditor claims to the extent necessary to absorb the losses, and to facilitate recapitalisation;
- convert into equity or other capital instruments all or parts of unsecured and uninsured creditor claims in a manner that respects the hierarchy of claims in liquidation;
- convert or write-down any contingent convertible or contractual bail-in instruments whose terms had not been triggered prior to the exercise of resolution powers.

The law should provide for a protection to the effect that the exercise of bail-in powers may not render a person worse off than he or she would have been had the entity in question been liquidated under conventional insolvency law.

Liquidation:

The South African Companies Act, 2008 read with the South African Insolvency Act, 1936 sets out the process for placing a company, including a financial institution, in liquidation. These Acts are supplemented by financial sector legislation, such as the Banks Act, that contain special provisions setting out additional requirements relating to the liquidation of financial institutions regulated in terms of that legislation.

The special provisions contained in the financial sector legislation regarding liquidation proceedings for financial institutions that fall within the scope of the special resolution framework, including powers relating to the treatment of creditors or DRIs, should be incorporated into the FSLAB.

The SARB Document

The SARB Document, which was released in 2019, outlines the key components required to formulate credible resolution plans, including the ability to recapitalise a bank at short notice, while ensuring access to funding and liquidity, maintaining critical functions and services and mitigating against financial market instability. The SARB Document outlines the statutory powers of the SARB (as the resolution authority) in terms of bail-in, including the issuance of so-called 'FLAC instruments' (see "*The FSLAB*" below). These 'FLAC instruments', while not qualifying as regulatory capital, comprise debt instruments which could be 'bailed-in' during resolution.

The FSLAB

The FSLAB is intended to provide for the resolution process contemplated in the SARB Document, and to give effect to certain proposals contained in the Resolution Framework and the deposit insurance discussion policy document entitled "*Designing a Deposit Insurance Scheme for South Africa*" which was released on 30 May 2017.

The FSLAB seeks to strengthen the ability of the SARB (as the resolution authority) to manage the orderly resolution or winding down of a failing financial institution, with minimum disruption to the broader economy. In addition, the FSLAB seeks to ensure that depositors' funds are protected in the event of a bank failure, and that depositors' funds will be paid out speedily to protect the most vulnerable customers. The FSLAB, when enacted, will apply to all registered South African banks, including mutual and cooperative banks.

The FSLAB seeks to strengthen the ability of the SARB (as the resolution authority) to manage the orderly resolution or winding down of a failing financial institution, with minimum disruption to the broader economy.

Chapter 12A (*Resolution of Designated Institutions*) of the FSLAB sets out the extensive powers of the SARB in relation to the resolution of a designated institution. These powers enable the SARB, under, subject to certain conditions (i), to cancel an agreement that came into effect before the designated institution was put in resolution, (ii) to suspend specified legal proceedings or arbitration proceedings to which the designated institution is a party, (iii) to suspend the institution of any claim for damages in respect of loss sustained by a person resulting from a cancellation of an agreement in terms paragraph (a), (iv) to suspend an obligation of a party to the agreement to which a designated institution is a party and (v) to prohibit the commencement of specified legal proceedings or arbitration proceedings against the designated institution.

The SARB may, under the section of the FSLAB headed "*Resolution action (including restructuring and bail in)*", subject to certain conditions, do either or both the following: (a) cancel a share of the designated institution that is valued, in terms of the relevant section, at zero value (in liquidation) or (b) issue new shares of the designated institution, on terms approved by the SARB.

If the SARB determines that it is necessary for the orderly resolution of a designated institution in resolution that the designated institution enter into a particular transaction, the designated institution may enter into the transaction, and may do so despite any law or agreement that would otherwise restrict or prevent it from doing so, including a law or agreement that requires consent or approval by a specified person.

The SARB also has the power under the FSLAB, subject to certain conditions, to exercise and perform its resolution powers in terms of the relevant part of the FSLAB, and its associated powers, in relation to a liability of a designated institution in resolution in a way that results in the liability being substituted with a shareholding in the designated institution or in a bridge company.

The FSLAB also provides for the NCWO rule: The SARB must not take resolution action in relation to a designated institution in resolution that would result in a creditor or shareholder of the designated institution receiving less than the creditor or shareholder would have received if the designated institution had been wound up.

The FSLAB provides for the issuance of so-called 'FLAC instruments'. The FSLAB defines a 'FLAC instrument' (also described as a 'flac instrument') as "*a financial instrument to which [among others, a bank] is a party, being an instrument that—(a) complies with the requirements prescribed by a prudential standard for a flac instrument; and (b) is of a kind that is not counted for the purpose of determining*

whether [among others, the bank] satisfies the applicable requirements of [among others] Chapter VI [(PRUDENTIAL REQUIREMENTS)] of the Banks Act ...; or prudential standards made for the purposes of any of those provisions".

The FSLAB also provides that, to mitigate the risk that a designated institution may need to be placed in resolution, the SARB may, after consulting the Prudential Authority, give either or both of the following directives to the Prudential Authority:

- (a) a directive to make one or more prudential standards that, among others, (i) specify the characteristics of FLAC instruments;
- (b) a directive to issue a regulator's directive to a specified designated institution requiring the designated institution to hold FLAC instruments to at least the value specified in the SARB'S directive.

31FA of the FSLAB provides for the establishment of the Corporation for Deposit Insurance ("CODI"), and section 31GA of the FSLAB provides for the establishment of the Deposit Insurance Fund ("Fund"). The functions of the CODI are (a) to establish, maintain and administer the Fund in accordance with the relevant Chapter in the interest of holders of covered deposits and (b) to promote awareness among financial customers of the protections afforded by the relevant Chapter.

In order to give effect to the resolution process contemplated in the SARB Document, the FSLAB proposes far-reaching amendments to (among other statutes), the SARB Act (see "*South African Reserve Bank*" above), the Banks Act (see "*Banks Act, 1990: General*" and "*Banks Act, 1990: Basel III*" above), the Financial Sector Regulation Act (see "*Banks Act, 1990: Basel III*" under "*Recovery and Resolution Legislation*" above), the Insolvency Act, 1936, the Competition Act, 1998 (see "*Competition Act, 1998*" below), the Companies Act, 2008 (see "*Companies Act, 2008*" below) and the Financial Markets Act, 2012 (see "*Financial Markets Act, 2012*" below).

Based on recent feedback, it was expected that the FSLAB would be promulgated sometime in the first half of 2020. However, this time frame may be pushed back in the light of the South Africa-wide 'shutdown' prompted by the Coronavirus.

Uncertainties

There are a number of uncertainties that arise from the Recovery and Resolution Legislation. For example, it is not clear whether the point of non-viability ('PONV') will be the same as the point of resolution ('POR'). The proceeds of the issue of preference shares do not currently qualify as regulatory capital (or only partially qualify, due to the "grandfathering" of such instruments). It is not clear whether the implementation of the Recovery and Resolution Legislation will result in the proceeds of the issue of preference shares again qualifying (fully) as regulatory capital, and whether such instruments will qualify as total loss-absorbing capacity ('TLAC') instruments.

Although the SARB Document provides that "*banks ... will be required to hold a specified level of Flac instruments for resolution*" and "*the [FSLAB] allows the SARB to require the issuance of Flac instruments, which will form a pre-identified, transparent tranche of funding instruments available for bail-in at the POR*" and "*[t]he resolution authority will be responsible for ensuring that there is a sufficient amount of Flac instruments available to be bailed in at the POR in order to recapitalise the bank*", the FSLAB does not appear to expressly provide for this.

The SARB Document mentions "open" resolution, which will likely use only statutory bail-in, and "closed" resolution, which may provide for the co-existence of regulatory (contractual) bail-in and statutory bail-in. The FSLAB does not appear to provide for this.

It is also not clear from the FSLAB, what (if anything) will happen to regulatory (contractual) bail-in provisions, whether they will co-exist with statutory bail-in and, if so, how. The FSLAB does not appear to provide for transitional provisions that would clearly specify the status of regulatory (contractual) bail-in provisions following the coming into effect of the FSLAB as an Act.

As the Recovery and Resolution Legislation is yet to be passed, there is also uncertainty, among other things, as to the extent, if any, that due process rights or procedures will be provided to Subordinated Noteholders subject to the bail-in option when the final Recovery and Resolution Legislation is

implemented. Therefore, Subordinated Noteholders may have limited rights to challenge any decision of the Prudential Authority to exercise its bail-in option or to have that decision reviewed by a judicial or administrative process or otherwise.

"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 Bank before 1 January 2013 will be "grandfathered" (that is, phased out) over a ten-year period from 1 January 2013.

The ability of the Bank 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 Banks Act and the Regulations Relating to Banks 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 Bank and investors.

Capital adequacy requirements

The capital base of the Bank provides the foundation for lending, off-balance-sheet transactions and other activities. The Bank is subject to the capital adequacy requirements set out in the Banks Act, as read with the Regulations Relating to Banks and Directive 6/2016 headed "*Capital framework for South Africa based on the Basel III framework*", dated 24 November 2016 ("**Directive 6/2016**"), which provide for a minimum level of capital based on risk-adjusted assets and off-balance-sheet exposures (risk weighed exposure).

In terms of the Regulations Relating to Banks as read with Directive 6/2016, 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 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 Additional Tier 1 Capital. Total CAR includes Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital (for example, among others, the proceeds of the issue of subordinated debt instruments).

Directive 6/2016

A summary of certain of the provisions of Directive 6/2016 is set out below:

Directive 6/2016 "*serves to inform all relevant persons of matters related to the prescribed minimum required capital ratios and the application of various components of the said capital requirements 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. [D]irective [6/2016] also details the phase-in requirements for the prescribed minimum required capital ratios*".

Annexure A of Directive 6/2016 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 6/2016.

The domestic systemically important bank ('D-SIB') capital requirement is specific to each bank or banking group based on criteria related to systemic importance and is being phased in over a four-year period on a straight-line basis, from 2016 to 2019.

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 Prudential Authority. The 'Pillar 2A' requirement may therefore also be revised from time to time.

The 'Pillar 2A' capital requirement was set at 1.5 per cent. of risk-weighted exposures for all banks at a total capital level with effect from 1 January 2013, after which it was increased to 2.0 per cent. 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 came into effect from 1 January 2016, resulting in an appropriate reduction in some components of the 'Pillar 2A' requirement over time.

In order to assist banks in appropriately managing their capital plans, 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 3.5 per cent. of a bank's risk-weighted exposure.

In addition, excluding both bank-specific individual capital requirement ('ICR') and the countercyclical buffer requirement, the highest minimum total capital-adequacy requirement to be met by any bank or banking group conducting business within South Africa receiving the highest possible 'HLA' requirement for a 'D-SIB' will be 14 per cent. at the end of the phase-in period on 1 January 2019.

The Prudential Authority will specify the 'HLA' requirement for each individual bank or banking group identified as a D-SIB in terms of Regulation 38(8)(e)(vi) of the Regulations Relating to Banks. The 'HLA' requirement will accordingly vary between banks identified as 'D-SIBs'. The Prudential Authority has decided to apply a 'bucketing approach' when assigning the relevant 'HLA' requirement for 'D-SIBs'. Banks and banking groups identified as 'D-SIBs' were advised in writing during 2013 of this fact and of the individual 'HLA' requirements assigned to them. The 'HLA' requirement for a 'D-SIB' is regarded as an extension of the capital conservation buffer, and the consequences applicable to breaching the capital-adequacy requirement at the capital conservation buffer level will also apply to breaching the combined total of the capital conservation buffer and the 'HLA' requirement for a 'D-SIB'. The first 50 per cent. of the specified D-SIB capital requirement, up to a maximum of 1 per cent. of a bank's risk-weighted exposures, must be fully met by Common Equity Tier 1 Capital and reserve funds, and any requirement exceeding the aforementioned requirement may be met by a combination of Additional Tier 1 Capital and Tier 2 Capital and reserve funds.

The Prudential Authority will continue to assess the bank-specific 'ICR' as part of its supervisory review and evaluation processes. These supervisory assessments may attribute 'ICRs' in order to address specific risks identified by the Prudential Authority in terms of Regulation 38(8)(e)(iii) of the Regulations Relating to Banks read with Regulation 38(4) of the Regulations Relating to Banks. Any 'ICR' may also be based on the levels of economic capital a bank holds to cover risks not regarded as 'Pillar 1' risks, as observed in the Internal Capital Adequacy Assessment Process ('ICAAP') of a bank. The Prudential Authority will continue to utilise this supervisory tool to increase or decrease the level of 'ICR'. However, factors that form part of the 'D-SIB' capital framework will no longer form part of the 'ICR' framework.

Commencing 1 January 2016, if a bank's capital-adequacy ratios fall below the levels set out in Annexure A (South African minima including the countercyclical buffer, the conservation buffer and the 'HLA' requirement for 'D-SIBs'), in the absence of other remedial actions acceptable to the Prudential Authority to improve the bank's capital-adequacy ratios, capital conservation ratios will be imposed that will limit discretionary payments such as dividend distributions. These limits will be increased as a bank's capital levels approach the specified minimum requirements. Once imposed, capital conservation measures will remain in place until such time as minimum required capital-adequacy ratios have been restored. If a bank wants to make payments in excess of distribution limits, sufficient capital will have to be raised to fully compensate for the excess distribution. A bank will be required to discuss this alternative with the Prudential Authority as part of the bank's 'ICAAP'.

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 Prudential Authority will continue to monitor and assess the adequacy of this internal buffer against a bank's strategy, risk profile and levels of capital.

As is standard practice in most international jurisdictions and in accordance with Circular 6/2016, and to ensure that no confusion exists in the market, banks are advised to continue to refrain from disclosing to the public their 'ICR' ('Pillar 2B') or any 'HLA' requirement for 'D-SIBs' as these are bank-specific requirements that are based on a combination of various qualitative and quantitative factors that are not directly comparable across banks.

Annexures A and B of Directive 6/2016 provide, among other things, for the capital adequacy ratios for the relevant years. Annexures A and B of Directive 6/2016 are reproduced below:

Annexure A: Capital Framework for South Africa based on the Basel III framework, after phase-in period

Capital tiers	Reference in the proposed amended Regulations	CET 1 Capital Requirement	Tier 1 Capital Requirement	Total Capital Requirement	Effective date
BCBS Basel III minima		4,5%	6,0%	8,0%	Phased in from 1 January 2013
South African minima	Reg 38(8)(b) & Reg 38(8)(e)(i)	4,5%	6,0%	8,0%	Phased in from 1 January 2013
Systemic risk add-on ³ (Total Pillar 2A range 0,5% to 2,0%)	Reg 38(8)(e)(ii)	A ₁ ≥ 50% of P2A	A ₂ ≥ 75% of P2A	P2A (≤2.0%)	Phased in from 1 January 2013 to 31 December 2015, thereafter adjusted to cater for D-SIB requirements
South African base minima	Reg 38(9)(a)(i) to (iii)	4,5% + A ₁	6,0% + A ₂	8,0% + P2A	Phased in from 1 January 2013
Bank-specific ICR add-on (Pillar 2B)	Reg 38(8)(e)(iii) & Reg 38(4)	B ₁ = 50% of ICR	B ₂ = 75% of ICR	ICR	Fully effective from 1 January 2013
South African minima (prudential minima)		4,5% + A ₁ + B ₁	6,0% + A ₂ + B ₂	8,0% + P2A + ICR	Phased in from 1 January 2013
Domestic Systemically-Important Bank capital add-on ³ (0% to 2,5%)	Reg 38(8)(e)(vi)	C ₁ = min(1% or 50% of DSIB)	C ₂ = min(1,5% or 75% of DSIB)	DSIB (max of 2,5%)	Phased in from 1 January 2016
Conservation buffer range (0% to 2,5%)	Reg 38(8)(e)(iv) & Reg 38(8)(f)	D ₁ = 100% of CB	D ₂ = 100% of CB	CB (≤2.5%)	Phased in from 1 January 2016
Countercyclical buffer range ⁴ (0% to 2,5%)	Reg 38(8)(e)(v) & Reg 38(8)(g)	E ₁ = 100% of CCB	E ₂ = 100% of CCB	CCB	Phased in from 1 January 2016
SA minima including countercyclical buffer, conservation buffer and D-SIB requirements ⁵		7,0% + B ₁ + E ₁ + min(2,0% or (A ₁ + C ₁))	8,5% + B ₂ + E ₂ + min(2,5% or (A ₂ + C ₂))	10,5% + ICR + CCB + min(3,5% or (P2A + DSIB))	

Annexure B: Phase-in Arrangements for the minimum requirements

Shading indicates transition periods - all dates are as of 1 January

	Basel III	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Common Equity Tier 1											

³ The aggregate requirement for Pillar 2A and D-SIB will not exceed 2,0 per cent for CET 1, 2,5 per cent for Tier 1 and 3,5 per cent in respect of the total capital-adequacy ratio.

⁴ In line with the BCBS's paper released in December 2010, entitled "Basel III: Global Regulatory Framework for more Resilient Banks and Banking Systems", revised June 2011, under paragraph 137, the countercyclical buffer is likely to be imposed on an infrequent basis in order to serve its intended purpose.

⁵ As specified in regulation 38(9)(a) of the proposed amended Regulations, as from 1 January 2015 the South African minima ratios, including the HLA requirement for D-SIBs, the capital conservation buffer and the countercyclical buffer, shall not be lower than 6,5 per cent for CET 1, 8 per cent for Tier 1 and 10 per cent in respect of the total capital-adequacy ratio.

	Basel III	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
requirements (CET 1)											
Minimum CET 1 Ratio (per Basel III)	4,5%	3,5%	4,0%	4,5%	4,5%	4,5%	4,5%	4,5%			
Pillar 2A for CET 1		1,0%	1,5%	2,0%	1,75%	1,50%	1,0%	0,50%			
Minimum CET 1 plus Pillar 2A		4,5%	5,5%	6,5%	6,25%	6,0%	5,5%	5,0%			
Phasing in of D-SIB requirements at CET 1 level ^{3 6}					25%	50%	75%	100%			
Capital Conservation buffer ⁴	2,5%				0,625%	1,25%	1,875%	2,5%			
Countercyclical buffer (maximum per cent, if imposed) ⁴	2,5%				0,625%	1,25%	1,875%	2,5%			
Tier 1 requirements (T1)											
Minimum Tier 1 Ratio (per Basel III)	6,0%	4,5%	5,5%	6,0%	6,0%	6,0%	6,0%	6,0%			
Pillar 2A for T1		1,5%	1,5%	2,0%	1,5%	1,25%	1,0%	0,75%			
Minimum T1 plus Pillar 2A		6,0%	7,0%	8,0%	7,5%	7,25%	7,0%	6,75%			
Phasing in of D-SIB requirements at Tier 1 level ³					25%	50%	75%	100%			
Total capital requirements											
Minimum Total Capital Ratio (per Basel III)	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%			
Pillar 2A for Total Capital (maximum 2,0%)		1,5%	2,0%	2,0%	1,75%	1,50%	1,25%	1,0%			
Minimum Total Capital plus Pillar 2A		9,5%	10,0%	10,0%	9,75%	9,5%	9,25%	9,0%			
Phasing in of specified D-SIB charge at Total Capital level ³					25%	50%	75%	100%			
Capital instruments that no longer qualify as additional Tier 1 or Tier 2 capital	Phased out over 10-year horizon beginning 2013										

The required minimum capital requirements will therefore be phased in over a number of years and, as such, will change annually based on Directive 6/2016 (or any other relevant guidance note and/or directive to be issued in the future by the Prudential Authority).

Financial Sector Regulation Act, 2017

As part of South Africa's "Twin Peaks" legislation which aims to regulate the entire financial sector ("**Twin Peaks legislation**" and "**Twin Peaks**"), the South African Financial Sector Regulation Act, 2017 ("**Financial Sector Regulation Act**") was enacted on 21 August 2017. Certain sections of the Financial Sector Regulation Act came into effect in March 2018. On 29 March 2018, the Commencement Notice was published and set out the various commencement dates for various sections of the Financial Sector Regulation Act (the adoption of a "phased-in" approach).

⁶ The aggregate requirement for Pillar 2A and D-SIB will not exceed 2,0 per cent for CET 1, 2,5 per cent for Tier 1 and 3,5 per cent in respect of the total capital-adequacy ratio.

The Financial Sector Regulation Act is a vast, omnibus of an Act whose aim is, among other things, to "establish a system of financial regulation by establishing the Prudential Authority and the Financial Sector Conduct Authority", to "preserve and enhance financial stability in [South Africa] by conferring powers on the [South African] Reserve Bank", to establish the Financial Stability Oversight Committee and to "regulate and supervise financial product providers and financial services providers".

The Financial Sector Regulation Act applies to all "financial institutions" (as defined in the Financial Sector Regulation Act), including banks. In addition, the Financial Sector Regulation Act has amended certain sections of specific legislation dealing with the South African financial services industry, such as (among others) the Banks Act and insurance legislation.

The Financial Sector Regulation Act provides for:

- The Prudential Authority, responsible for the safety and soundness of financial institutions so that these institutions are able to make good on financial commitments to customers.
- The Financial Sector Conduct Authority ("FSCA"), responsible for the conduct of financial institutions and the fair treatment of financial customers, financial education and the efficiency and integrity of the financial markets.
- Both the Prudential Authority and the FSCA having scope of jurisdiction over all financial institutions in South Africa.
- Powers for the Prudential Authority and the FSCA to effectively fulfil these mandates, including the ability to license, set standards, conduct inspections and investigations, and take enforcement actions.
- The ability for the Minister of Finance to designate new financial products and services which are not captured under existing financial sector laws.

The Financial Sector Regulation Act is an overlay on existing financial sector laws. These laws remain in place, allowing the regulators to regulate and supervise the sector both in terms of the Financial Sector Regulation Act and existing laws. The Financial Sector Regulation Act provides for greater consistency in regulatory operations, and is a first step in the move toward full comprehensive legislative reform.

The Financial Sector Regulation Act primarily deals with the regulatory architecture of the Twin Peaks model. The Financial Sector Regulation Act establishes the regulatory authorities, and sets requirements for how they must operate. It also sets out the supervisory and enforcement powers of the regulators, and establishes the Financial Services Tribunal as an independent body providing an accountability check for regulators (and other defined decisionmakers).

FSLAB (see "*The FSLAB*" above) proposes major amendments to (among other statutes) the Financial Sector Regulation Act (see "*Banks Act, 1990: Basel III*" under "*Recovery and Resolution Legislation*" above).

The next phase of the reform process from a market conduct perspective will be to streamline and harmonise the legal landscape that financial institutions will operate within. This entails a comprehensive review of existing financial sector laws, with the aim of developing a single, holistic legal framework for market conduct regulation in South Africa that is consistently applied to all financial institutions. The Conduct of Financial Institutions Bill [B — 2018] provides for this new legal framework (see "*Conduct of Financial Institutions Bill [B — 2018]*" below).

The Conduct of Financial Institutions Bill [B — 2018] also proposes amendments to (among other statutes) the Financial Sector Regulation Act (see "*Conduct of Financial Institutions Bill [B — 2018]*" below).

Conduct of Financial Institutions Bill [B — 2018]

The Conduct of Financial Institutions Bill [B — 2018] ("**COFI Bill**") was published for public comment in December 2018. The COFI Bill is part of the Twin Peaks reform process underway in South Africa. The new Twin Peaks model of regulation was formalised when the Financial Sector Regulation Act (see "*Financial Sector Regulation Act, 2017*" above) was signed into law in early 2018. As a result, two new financial sector regulators – the Prudential Authority and the FSCA – were established in April 2018. The

COFI Bill is the next phase of legislative reform and is aimed at strengthening the regulation of the financial sector in relation to customer treatment and general market conduct. The FSCA is the relevant regulator under the COFI Bill.

Whereas the Financial Sector Regulation Act gives customers and financial institutions an indication of what to expect of financial sector regulators, the COFI Bill outlines what customers and industry players can expect of financial institutions. It aims to streamline significantly the legal framework for regulating the conduct of financial institutions, and to give legislative effect to the market conduct policy approach, including the implementation of the Treating Customers Fairly ("TCF") principles.

The Financial Sector Regulation Act is 'regulator-facing': it also provides the regulators with certain powers in relation to regulated entities, to ensure that current gaps in the legislative framework do not prevent the regulators from meeting their respective mandates (for example, allowing the FSCA to set standards on banks) (see "*Financial Sector Regulation Act, 2017*" above).

In contra-distinction, the COFI Bill will be primarily 'regulated entity-facing' – setting the requirements that financial institutions under the jurisdiction of the FSCA must meet and the outcomes they are expected to deliver. While the Financial Sector Regulation Act gives consumers and financial institutions an indication of what to expect of the regulators in the financial sector, the COFI Bill will give customers and industry players an indication of what is expected of financial institutions.

In terms of the COFI Bill, the FSCA will be required to set standards, develop and implement its supervisory approach, and enforce requirements, in a manner that is proportionate to the nature, size, scale and complexity of the risks associated with a type of activity or financial institution, and is proportionate to achieving the purpose of the requirement.

The COFI Bill aims to strengthen customer protection by putting in place a single comprehensive market conduct law in the financial sector, resulting in the consistent application of consumer protection principles across the sector.

The COFI Bill proposes a new licensing framework for financial institutions, replacing the myriad of different registrations and authorisations in the financial sector with a single market conduct licence from the FSCA, which can have different authorisation categories, depending on the financial activities carried out by the financial institution. The approach to licensing under the new conduct framework represents a significant shift from the current system. Financial institutions in South Africa are currently licensed on an institutional basis – as a bank, an insurer, a collective investment scheme and so on.

It is anticipated that the FSCA will follow a phased process of converting existing registrations held by financial institutions into licenses under the new framework.

Informed decision-making by financial customers relies on access to meaningful information at the right time. Chapter 6 of the COFI Bill addresses the provision of adequate, clear information by financial institutions to financial customers before, during and after the point of sale.

The COFI Bill is designed to replace the conduct provisions of most existing financial sector laws. This will involve the repeal and/or amendment of provisions in existing statutes (for example, the Financial Sector Regulation Act (see "*Financial Sector Regulation Act, 2017*" above), the National Payment System Act, 1998 (see "*National Payment System Act, 1998*" below), the National Credit Act, 2005 (see "*National Credit Act, 2005*" below) and the Financial Markets Act, 2012 (see "*Financial Markets Act, 2012*" below), or of statutes in their entirety (for example, the Financial Advisory and Intermediary Services Act, 2002 (see "*Financial Advisory and Intermediary Services Act, 2002*" below).

National Payment System Act, 1998

The South African 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 SARB is the regulator under the NPS Act, and is tasked with performing the duties conferred and imposed on it by the NPS Act.

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 SARB Act, the overseer and regulator of the NPS, with the objective of ensuring its safety and efficiency.

The SARB may recognise a payment system management body established with the object of organising, managing and regulating the participation of its members in the relevant payment system; **provided that** the prescribed criteria are met by the payment system management body. In principle, only the SARB, a South African bank, a duly registered South African branch of a foreign bank, a mutual bank, a co-operative bank and a designated clearing system participant may be members of a payment system management body.

The main aim of a payment system management body is to organise, manage and regulate participation of its members in the clearing and settlement system. The payment system management body that is currently recognised by the SARB 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.

Twin Peaks legislation

Overseeing the safety, efficiency and stability of the NPS is a role currently performed by the SARB, and this will continue under the Twin Peaks legislation. However, as the payments system also impacts on customer outcomes, the conduct of providers in the payments environment will be monitored by the FSCA.

The COFI Bill (see "*Conduct of Financial Institutions Bill [B — 2018]*" above) takes steps to more clearly define the payments environment that the FSCA will regulate, and what payments activities should be directly licensed by the FSCA. In principle, a conduct licence will be required for payment service providers with a direct relationship with a financial customer, both retail and non-retail, with standards being set accordingly.

The National Treasury and National Payment System Department of the SARB are currently undertaking a review of the NPS Act to assess its adequacy and effectiveness in achieving its stated objectives in the rapidly evolving financial and payment landscape. The National Treasury, the SARB and the FSCA are working together to ensure that the NPS Act review and the COFI Bill processes are aligned.

National Credit Act, 2005

The South African 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 protection information. The NCA regulates, among other things, "*credit agreements*", "*incidental credit agreements*" and "*credit providers*". The NCA also regulates the interest, costs and fees which retail banks and other "*credit providers*" may charge consumers in South Africa.

The NCA is a complex piece of legislation.

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*". For example, the NCA prescribes maximum interest rates which a "*credit provider*" may levy on "*credit agreements*". 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. Other applicable charges are strictly regulated and may

only be levied if specifically listed in the NCA, and only to the extent permitted. In addition, certain "*credit agreements*" which contain unlawful provisions as stipulated in the NCA could potentially be rendered void *ab initio*.

Before credit may be granted to a consumer, the "*credit provider*" must conduct an affordability assessment of the applicant for credit in accordance with the requirements prescribed by the NCA to ensure that the consumer is not over-indebted. The "*credit provider*" must not provide "reckless credit".

The NCA prescribes the requirements, steps and costs which apply to any enforcement actions taken by a "*credit provider*" against a defaulting consumer under a "*credit agreement*".

The application of the NCA extends to a "*credit agreement*" or proposed "*credit agreement*" irrespective of whether, among other things, the "*credit provider*" resides or has its principal office within or outside South Africa.

The NCA provides, in principle (subject to the relevant provisions of the NCA, that a person who qualifies as a "*credit provider*" must be registered as a "*credit provider*" with the National Credit Regulator ("NCR"). The powers of the NCR under the NCA are extensive, and the sanctions, enforcement, penalties and offences provisions of the NCA are also numerous. The requirements which must be met, and procedures followed, in order to register a person as a "*credit provider*" with the NCR are extremely onerous.

The Bank is registered as a "*credit provider*" with the NCR in terms of the National Credit Act.

Twin Peaks legislation

Credit regulation under the Twin Peaks model has been the subject of careful consideration. The Financial Sector Regulation Act (see "*Financial Sector Regulation Act, 2017*" above) provides for both the existing NCR and the FSCA to play a role in the regulation of credit providers. The NCR will continue to regulate credit providers falling within its scope of jurisdiction, for the product such credit providers provide – the "credit agreement" – in accordance with the requirements of the NCA.

In keeping with the harmonised, cross-cutting approach that Twin Peaks entrenches, the FSCA will be able to regulate the services provided by "*credit providers*" (and other entities) in relation to the provision of credit, in similar ways to its regulation of similar services provided by other financial institutions. The FSCA will therefore be able to regulate "*credit providers*" on matters such as marketing and promotion, provision of advice, distribution and disclosure of information relating to credit. As set out in the Financial Sector Regulation Act, any new conduct standards set by the FSCA must take into account the requirements already in place under the NCA. The intention is to limit duplication in requirements between the NCA and the COFI Bill (see "*Conduct of Financial Institutions Bill [B — 2018]*" above), and to strengthen and harmonise regulatory requirements across all financial institutions.

The outcomes that are sought to be achieved through the COFI Bill are likely to apply to the credit sector on a risk basis – in other words focus will be on categories of "*credit providers*" that bring the most conduct risk to the largest numbers of vulnerable customers. Given their size and share of the credit market, banks will be supervised to ensure that their governance arrangements are sound, that their financial services meet customer needs, and that customers don't face undue post-sale barriers.

The NCR and the FSCA have entered into a Memorandum of Understanding, setting out their cooperative regulatory approach to credit regulation. Further engagement, including through proposals made in the COFI Bill, will help develop the regulatory approach to how licensing, supervision and enforcement will be carried out in practice.

Consumer Protection Act, 2008

The South African Consumer Protection Act, 2008 ("**Consumer Protection Act**") regulates the relationship between "*suppliers*" and "*consumers*" in order to protect the rights of "*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.

However, the Consumer Protection Act does not apply to "*financial services providers*" licensed as such under the South African Financial Advisory and Intermediary Services Act, 2002 (see "*Financial Advisory and Intermediary Services Act, 2002*" below) or the activities of any person who qualifies as a "*regulated*"

person", or the goods or services provided by any person who qualifies as a "regulated person", as applicable, under the South African Financial Markets Act, 2012 (see "Financial Markets Act, 2012" below).

The Bank is (among other things) an authorised "financial services provider" under the South African Financial Advisory and Intermediary Services Act, 2002 (see "Financial Advisory and Intermediary Services Act, 2002" below).

The application of the applicable provisions of the Consumer Protection Act "extends to a matter irrespective of whether the supplier [among other things] resides or has its principal office within or outside the Republic".

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.

Competition Act, 1998

Competition/anti-trust in South Africa is regulated by the South African Competition Act, 1998 ("**Competition Act**"). The Competition Commission of South Africa ("**Competition Commission**") was established by, and is regulated under, the Competition Act.

The Competition Commission is currently prosecuting a number of banks for alleged collusive conduct in the trading of foreign exchange, in particular in relation to Rand / Dollar trading. The prosecution follows investigations and prosecutions in other jurisdictions, including in the United States, where Barclays reached a plea deal with the US Department of Justice. Following such plea arrangement, Barclays applied to the South African Competition Commission for leniency (i.e. an offer to assist in the prosecution in return for no administrative penalty being imposed). Most of the respondents in the Commission's prosecution are global banks, with the only South African respondent banks being Standard Bank and Investec (not Nedbank).

It is open for the Competition Commission to expand the scope of its investigation and prosecution, although prescription is applicable in terms of the Competition Act (which provides that no prosecution can take place if the investigation has been initiated more than 3 years after the prohibited practice ceased).

At present, various interlocutory (preliminary) applications are being considered, in particular relating to the South African authorities' jurisdiction to adjudicate on the conduct of banks with no presence in South Africa. Thus, a hearing on the merits is only expected to take place at the end of 2020 or in 2021.

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**"). In December 2008, the Enquiry panel published its full report. In 2010, National Treasury released a report on the progress on the recommendations from the Enquiry. The latest information from the press on implementation of the recommendations was published in 2014. The outcome of each of these processes is depicted in the table below.

There have been no further developments arising from the Enquiry.

Area	Recommendation	2010 Treasury report	Status as reported by press in 2014
Debit orders	1: Unpaid debit order penalty fees be capped at R5 per transaction	Recommendation rejected. Instead, the National Treasury recognised the lowering of fees and encouraged their further lowering	
	2: Increased channel capability for	Recommendation endorsed but modified to include	Completed - a range of improved debit order

Area	Recommendation	2010 Treasury report	Status as reported by press in 2014
	consumers to cancel debit orders	improved debit order management within PASA.	management was undertaken within PASA.
ATMs	3–6: Implementation of a direct charging model such that the consumer pays directly to the bank whose ATM is used, even if the consumer does not bank with that bank. 7: Consideration of a direct charging model for cash-back and mini-ATM transactions	Recommendation rejected. Instead, the National Treasury supported the bank's proposal for increased transparency on ATM transactions (including ATM screen message).	Completed - the banks implemented the required ATM screen message
Payment cards	8: Regulatory process to consider need for and level of interchange fees for a range of payment streams 9: Change to Visa and Mastercard rules requiring who could issue a Visa / Mastercard branded card (only those authorised to take deposits). Recommendation for banks and non-banks meeting the requirements in terms of the National Payment System to be allowed to issue 10: Removal of prohibition on withdrawing cash at a shopping till when no purchase made 11: Removal of honours all products rule: Stores be entitled to accept both debit and credit cards, or only one of those type of payment cards.	SARB to take forward. Recommendations endorsed.	Completed - The SARB completed its review of the level of interchange fees for payment cards Completed - The card schemes implemented the proposed rules changes.

Area	Recommendation	2010 Treasury report	Status as reported by press in 2014
Electronic Funds Transfer (EFT) and Early Debit Orders (EDOs)	12-14: Consideration of interchange for these payment streams vis-à-vis possible investigation or submission to process specified in Recommendation 8	SARB to take forward.	Completed - The SARB considered the impact of the interchange fee review to the EFT / EDO payment streams.
National Payment System governance	13-17: Improve access for non-banks in clearing and settlement (with associated membership of Payments Association of South Africa)	Recommendations partially rejected in relation to non-bank access to the settlement system. National Treasury noted the amendments already passed by the SARB on access to clearing	Completed - the SARB enabled access to Designated Clearing Participants.
	18: Chief Executive PASA to decide on membership applications to PASA	Recommendation endorsed.	
	19. New Payments Ombudsman to be created to adjudicate any dispute on application decisions	Recommendation rejected.	
Product transparency	20-21: Banking Association of South Africa (BASA) to 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	Recommendations endorsed.	Completed - The Code of Banking Practice has been revised by the banks in order to incorporate the switching code, the minimum transparency standards and the standardised terminology requirement. As part of this revision, the content of the code was modernised in order to benefit consumers as a whole (e.g. inclusion of a consumer bill of rights).
	22: Creation of standard consumer profiles (typical customer needs) to facilitate comparison shopping and banks to publicise the extent to which they accommodated each "standard profile" and their respective prices	Recommendations rejected.	

Area	Recommendation	2010 Treasury report	Status as reported by press in 2014
	23: Creation of a centralised banking fee calculator	Recommendation rejected. Instead, the National Treasury required banks to make their own fees calculators available across a number of channels.	
	24: Proposed consideration of relaxation of comparative advertising	Recommendations rejected.	
	25: Proposal to develop basic banking products	Recommendation rejected. Instead, the National Treasury required banks to develop own low income products	
	26: Development of a switching code	Recommendations endorsed.	Completed - The Code of Banking Practice has been revised by the banks in order to incorporate the switching code, the minimum transparency standards and the standardised terminology requirement. As part of this revision, the content of the code was modernised in order to benefit consumers as a whole (e.g. inclusion of a consumer bill of rights).
	27: Development of a central FICA repository	Recommendations rejected.	
	28: Increase jurisdiction of Ombudsman for Banking Services over matters relating to Recommendations 20 and 26	Recommendations endorsed.	Completed - The Code of Banking Practice has been revised by the banks in order to incorporate the switching code, the minimum transparency standards and the standardised terminology requirement. As part of this revision, the content of the code was modernised in order to benefit consumers as a whole (e.g. inclusion of a consumer bill of rights).

In April 2015, the Competition Commission issued a Practitioner Update 4 on Risk Mitigation Financial Transactions ("**Risk Mitigation Update**").

Risk mitigation financial transactions are those transactions that are purely financial in nature and occur in the ordinary course of business of banks and state-owned finance institutions including:

- (a) the general exercise of a security interest by a bank or state-owned finance institution (i.e. acquiring an asset of a borrower in the event of a default by the borrower);
- (b) sale and leaseback transactions (the sale of a key asset or assets to a financier for a "lump sum" cash price. The financier simultaneously leases the asset back to the seller, with rentals being payable over a period of time. At the end of the lease the seller will be entitled to either acquire the asset or continue leasing it); and
- (c) government concessions in infrastructure development (i.e. where a project is advertised for tender and government then offers a concession to a private sector developer. These government concession agreements allow infrastructure development to draw on private sector funding. Banks and state-owned finance institutions provide finance to the concession company and "take security". To provide for the completion of the project in the event of the failure of the original concessionaire, the agreement often provides for a substitution of concessionaires in the event of default by the original concessionaire. The agreement may also provide for the financier to exercise temporary management control in the event of default by the concessionaire).

The transactions in (a) to (c) above result in the acquisition of control (as defined in the Competition Act), at least on a temporary basis until the amounts owed to the bank or financier in default.

The above transactions are typically temporary in nature as the intention of the financial institution is primarily to enable the financier to recoup the capital advanced to the debtor and not to acquire control over the assets or the business of another company. Nevertheless, risk mitigation transactions technically fall within the ambit of the merger control provisions would technically be required to be notified to the Competition Commission where the merger thresholds are met.

However, the Risk Mitigation Update provides for an exemption to notifying such transactions for a period of 24 months from the time the bank or financial institution assumes control over an asset or a whole or part of a business. Where the bank or financial institution fails to dispose of the asset or relinquish control over the business within the 24-month period, notification of the transaction to the Competition Commission would be required.

In April 2015, the Competition Commission also issued a Practitioner Update 5 on asset securitisation schemes ("**Securitisation Schemes Update**"). Securitisation schemes are currently regulated by the Securitisation Notice and Commercial Paper Notice which are administered by the SARB. The Securitisation Notice comprehensively sets out conditions governing both traditional and synthetic securitisation schemes.

In a securitisation scheme, the transfer of assets to a special purpose institution (SPI), as envisaged in the Securitisation Notice, may result in the SPI acquiring control over "part of the business of another firm" (the transferor) within the contemplation of the Competition Act. This transfer may therefore constitute a merger and where the threshold requirements are met, notification of these transactions would be required.

The Securitisation Schemes Update notes that while the definition of a merger in the Competition Act does not expressly allow for a consideration of the rationale or intention behind transactions, it could not have been the intention of the legislature to include risk mitigation transactions, entered into within the ordinary course of business, within the ambit of the merger provisions.

Thus the Securitisation Schemes Update provides that in respect of traditional and synthetic securitisation schemes as defined in the Securitisation Notice, the Competition Commission would not require notification of the transaction where a bank or non-banking institution transfers a portfolio of assets to a SPI, **provided that** the scheme is executed in compliance with the Securitisation Notice. This approach would not apply to any further disposal of the same portfolio of assets.

Whilst the Risk Mitigation and Securitisation Schemes Updates are not binding on the Competition Commission (as with all updates issued by the Competition Commission), it gives an indication of the likely approach of the Competition Commission to these types of transactions.

Anti-money laundering legislation

Money laundering is regulated by the South African Prevention of Organised Crime Act, 1998 ("**POCA**") and the South African 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.

Schedule 1 of FICA defines an "*accountable institution*" to include, among others, a person who carries on the "*business of a bank*" as defined in the Banks Act (see "*Banks Act, 1990: General*" above) and "*a person who carries on the business of a financial services provider requiring authorisation in terms of the [South African Financial Advisory and Intermediary Services Act, 2002], to provide advice and intermediary services in respect of the investment of any financial product*" excluding short-term insurance products and health care benefits (see "*Financial Advisory and Intermediary Services Act, 2002*" below).

The Bank is accordingly an "*accountable institution*" for purposes of FICA and is subject to the obligations imposed on an "*accountable institution*" in terms of FICA.

Under FICA, "*accountable institutions*" may not establish a business relationship with an anonymous client or a client with an apparent false or fictitious name. Further every "*accountable institution*" must develop its own Risk Management and Compliance Programme ("**RMCP**") and comply with the provisions of FICA using a risk-based approach. The "*accountable institution*" has a duty to conduct due diligence in line with its RMCP to establish and verify the identity of their clients and people they transact with, and must apply an enhanced due diligence process to certain types of clients or entities that may pose a higher risk as contemplated under FICA (for example legal persons, trusts and partnerships). In this context, due diligence is required in respect of the ultimate "*beneficial owners*" of the client.

Ongoing due diligence checks and updates must occur according to the "*accountable institutions*" RMCP as read with FICA.

FICA prescribes additional precautions which an "*accountable institution*" must take when dealing with foreign prominent public officials and local prominent influential persons.

The "*accountable institution*" must further 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.

Anyone who carries on a business or is in charge of or manages a business or who is employed by a business must report certain suspicious and usual transactions to the Financial Intelligence Centre.

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.

POCA

POCA is an omnibus act dealing with, among other things, 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 of another person.

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 defence against any alleged breach under POCA.

Financial Markets Act, 2012

The South African Financial Markets Act, 2012 ("**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, the custody and administration of securities, and the regulation of over-the-counter derivatives transactions.

The Financial Markets Act regulates the JSE Limited ("**JSE**") and Strate Proprietary Limited (a central securities depository).

The Bank is a central securities depository participant in State Proprietary 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.

Group Limited is listed on the JSE and must comply with the JSE Rules and the JSE Equity Listings Requirements, published under the Financial Markets Act. Group Limited has a ZAR25,000,000,000 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, Group Limited is required to comply with the JSE Debt Listings Requirements, published under the Financial Markets Act.

In addition, the Bank has a ZAR75,000,000,000 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 Bank is required to comply with the JSE Debt Listings Requirements, published under the Financial Markets Act.

Twin Peaks legislation

The regulation of the financial markets is under review in South Africa, to build efficiency and competition amongst market infrastructure on the one hand, and strengthen the direct regulatory oversight and surveillance of market participants by the FSCA (rather than relying so heavily on the market infrastructure) on the other.

Given that the FSCA already licenses market infrastructure in terms of the Financial Markets Act, the COFI Bill (see "*Conduct of Financial Institutions Bill [B — 2018]*" above) does not propose licensing and regulating market infrastructures under the new conduct framework. This is chiefly due to the quasi-regulatory role that market infrastructures perform in the South African markets, creating a specific type of relationship between infrastructures and their members that differs from the typical institution-customer relationship governed by the COFI Bill.

However, it is recognised that further consideration and engagement is needed regarding this approach. Conduct regulation of market infrastructures has become more necessary with the emergence of multiple exchanges (and potentially other market infrastructures) in South Africa, in support of competition. Licensing and regulating such infrastructures will be important to ensure consistent conduct standards are achieved in their operation. The regulatory role of market infrastructures and their licensing will likely be subject to further discussion following the finalisation of the Financial Market Review process and subsequent revisions of the Financial Markets Act. The findings and recommendations of the Financial Market Review process will impact on existing legislation such as the Financial Markets Act, as well as on the drafting of the COFI Bill.

Consistent conduct standards must also apply to members of market infrastructures, irrespective of the infrastructure through which they operate. The COFI Bill thus provides for the licensing of securities

service providers, and for conduct standards to be set regarding their operation. Such standards will not replace the governance and operational risk management requirements set by individual market infrastructure on their members. This means that members will be regulated by the FSCA directly and remain subject to oversight by the market infrastructure of its rules. Rules and requirements set by market infrastructures should align to the conduct requirements set by the FSCA.

Financial Advisory and Intermediary Services Act, 2002

The South African 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*" provided by a "*product supplier*".

The purpose of the FAIS Act is to protect customers to whom financial advisory and intermediary services are rendered.

The regulatory authority for purposes of the FAIS Act is the authorised "Financial Sector Conduct Authority" established in terms of section 56 of the Financial Sector Regulation Act, 2017 ("**Authority**").

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, any warrant, certificate, and other instrument acknowledging, conferring or creating rights to subscribe to, acquire, dispose of, or convert securities and instruments referred to herein and any "*securities*" defined as such in the Financial Markets Act, 2012.

The FAIS Act provides that no person may act or offer to act as a "financial services provider" unless that person has been issued with a licence by the Authority under section 8 of the FAIS Act.

The Financial Sector Regulation Act (see "*Financial Sector Regulation Act, 2017*" above) has amended certain provisions of the FAIS Act. Provisions relating to the "FAIS Ombud" were amended with effect from 1 April 2019 and certain amendments relating to applicable fees will come into effect on 1 April 2020. The other amendments have not, as at the date of this Prospectus, come into force.

The Bank is an authorised "*financial services provider*" under the FAIS Act.

Twin Peaks legislation

The Financial Sector Regulation Act (see "*Financial Sector Regulation Act, 2017*" above) has amended certain provisions of the FAIS Act. Provisions relating to the "FAIS Ombud" were amended with effect from 1 April 2019 and certain amendments relating to applicable fees will come into effect on 1 April 2020. The other amendments have not, as at the date of this Prospectus, come into force.

In terms of the COFI Bill, the FAIS Act will be repealed in its entirety (see "*Conduct of Financial Institutions Bill [B — 2018]*" above).

Companies Act, 2008

The South African Companies Act, 2008 ("**Companies Act**") came into effect on 1 May 2011 and, subject as set out below, has replaced the South African Companies Act, 1973 ("**Old Companies Act**") in its entirety.

Banks (including the Bank) and bank "controlling companies" (including Group Limited) 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.

In terms of the Banks Act the provisions of sections 128 to 154 of the Companies Act relating to business rescue do not apply to a bank (see "*Banks Act, 1990: General*" above).

Twin Peaks legislation

The COFI Bill (see "*Conduct of Financial Institutions Bill [B — 2018]*" above) envisages the appointment, by the Prudential Authority, of a statutory manager and/or a curator of "*financial institutions*" under certain circumstances. In addition, the COFI Bill envisages amendments to the application of Chapter 6 of the Companies Act to the business rescue of "*financial institutions*", and the application of the Companies Act to the winding-up of "*financial institutions*".

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.

General

The 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 eSwatini and Lesotho (collectively the "**Common Monetary Area**").

The purpose of exchange controls is to mitigate the decline of foreign capital reserves in South Africa.

The Government of South Africa 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 SARB (the "**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. The Issuer is a resident for purposes of the Exchange Control Regulations. 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.

The application of the Exchange Control Regulations are set out in the Exchange Control Rulings and the Currency and Exchanges Manual for Authorised Dealers (as defined below) ("**Manual**"), as read with the Exchange Control Circulars and the Exchange Control Directives, each published by the Exchange Control Authorities.

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 ("**Authorised Dealers**"). Authorised Dealers assist the Exchange Control Authorities with the monitoring and enforcement of the Exchange Control Regulations. Authorised Dealers include the major South African banks and certain local branches of foreign banks.

Exchange Control Approvals

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 a specific Section of the Manual and which, subject to the terms of the approval, applies generically to certain classes of transactions or all transactions of a particular kind.

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 Section of the Manual. Examples of "general pre-approvals" include, among others, the following:

- The "general pre-approval" set out in Section B.2 (*Capital Transfers*) – Section A (General) and Section (B) (*Private individuals resident in South Africa*) – (i) (*Foreign investments by private individuals (natural persons) resident in South Africa*) of the Manual ("**Private Foreign**")

Investment Approval") allows certain natural persons to transfer (as a foreign capital allowance) up to ZAR10,000,000 per year for investment purposes abroad, subject to the conditions set out in the Private Foreign Investment Approval.

- The "general pre-approval" set out in Section B.4 (*Single discretionary allowance and other miscellaneous payments for private individuals*) – Section A (*Single discretionary allowance per calendar year*) ("**Discretionary Allowance Approval**") of the Manual allows residents (natural persons) who are 18 years and older to avail themselves of "*a single discretionary allowance within an overall limit of R1 million per individual per calendar year without the requirement to obtain a Tax Clearance Certificate*". The amount transferred off-shore pursuant to the Discretionary Allowance Approval "*may be used for any legal purpose abroad*".
- The "general pre-approval" set out in Section B.2 (*Capital Transfers*) – Section A (*General*) and Section (H) (*South African institutional investors*) ("**Foreign Portfolio Investment Approval**") of the Manual allows foreign-issued securities to be subscribed for or purchased by institutional investors (comprising all retirement funds, long-term insurers and collective investment scheme management companies) using their "foreign portfolio investment allowances". Investment managers which register as institutional investors with the Exchange Control Authorities may also subscribe for or purchase foreign-issued securities using their "foreign portfolio investment allowances".

The onus for obtaining all exchange control approvals (or for ensuring that the relevant transaction is covered by a "general pre-approval") lies with the relevant South African resident.

Issuance of each Series of Notes under the Programme

The prior written approval of the Exchange Control Authorities is required for the issuance of each Series of Notes issued under the Programme. The Bank 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 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 unless such subscription, purchase, beneficial holding or ownership is permitted by the terms of the Foreign Portfolio Investment Approval or any other "general" approval as described under "*Exchange Control Approvals*" above.

Exchange Control Authorities may impose certain conditions on the issue of a Series of Notes under the Prospectus, for example, with regard to maturity, issue size and listing.

TAXATION

The tax laws of the investor's Relevant State and of the issuer's member state of incorporation might have an impact on the income received from the securities. 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.

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. It specifically does not purport to constitute advice on the tax treatment of acquiring, holding or disposing of any Notes. 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 as the Notes do not constitute "*securities*" as envisaged by 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 of Notes will be for the account of the transferee Noteholder.

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**") on the basis that interest must be accounted for in the hands of a Noteholder on a yield-to-maturity basis. 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.

However, to the extent that a Noteholder is a "covered person" as defined in section 24JB of the Income Tax Act and it recognises the Notes in profit or loss in the statement of comprehensive income in respect of financial assets and financial liabilities of that covered person that are measured at fair value in profit or loss in terms of accounting principles, the Noteholder should consider the application of section 24JB of the Income Tax Act instead.

Tax treatment of the Bank

A different regime applies to the tax treatment of the Bank compared to other taxpayers. Given the fact that the Bank is a bank that is registered in terms of the Banks Act, it is specifically provided in section 24JB of the Income Tax Act that amounts in respect of financial assets and financial liabilities that are recognised in profit or loss in the statement of comprehensive income in respect of financial assets and financial liabilities of the Bank that are measured at fair value in profit or loss in terms of accounting principles must be included in or deducted from its income, excluding certain exemptions.

Original issue discount or premium

Any discount that arises pursuant to the original issue of the Notes will be treated as Interest for tax purposes, and the amount of the discount will be deemed to accrue to the Noteholder on a yield to maturity basis as if such Noteholder were to hold the Notes until the Maturity Date (if any).

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 the Maturity Date (if any).

Appropriate adjustments are made to the extent that the Notes are disposed of by the Noteholder prior to the Maturity Date (if any).

Interest on the Notes

A "**resident**" of South Africa (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 sourced 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 is regarded as being from a South African source as the Bank is a South African tax resident.

However, 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 12 month period preceding the date on which the Interest is received by or accrues to that Non-Resident Noteholder; or
- (b) the debt from which the Interest arises is effectively connected to 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 nevertheless be available under an applicable convention concluded between the Government and the relevant other contracting state for the avoidance of double taxation ("**DTA**") of which the Noteholder is a tax resident. In addition, some entities may be exempt from income tax, which would include an exemption from Interest.

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 regard the Withholding Tax on Interest paid to Non-Resident Noteholders, see "*Withholding Tax*" below.

Withholding Tax

A withholding tax on Interest paid to Non-Residents (at a rate of 15 per cent. of the amount of the Interest) ("**Withholding Tax**") applies in terms of Part IVB of the Income Tax Act.

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 be regarded as being from a South African source as the Bank is a South African tax resident.

The Bank is entitled to request a Noteholder to confirm its tax residency and whether any withholding or reduction of the Withholding Tax rate is in fact required in terms of any applicable DTA.

Subject to any Withholding Tax relief provided for in the Income Tax Act (see the paragraph below) or an applicable DTA, the Withholding Tax will be imposed in respect of all payments of Interest from a South African source to Non-Residents unless a Non-Resident is liable to the payment of South African income tax on such Interest.

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 (subject to the exclusion of back to back transactions as envisaged by

section 50D(2) of the Income Tax Act). The Bank is a South African bank. The London Stock Exchange plc is a "*recognised exchange*".

Accordingly, payments of Interest under Notes held by Non-Resident Noteholders will be exempt from Withholding Tax.

Payments of Interest under Notes held by a Non-Resident will also be exempt from the Withholding Tax if:

- that Non-Resident is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate during the twelve-month period preceding the date on which the Interest is paid; or
- the debt claim in respect of which that Interest is paid is effectively connected with a permanent establishment of that Non-Resident in South Africa, if that Non-Resident is registered as a taxpayer in South Africa.

Compulsory Write-Off of Subordinated Notes following a Trigger Event

This Prospectus does not provide for the Conversion of Subordinated Notes on the occurrence of the relevant Trigger Event.

It should be noted that the tax consequences to the Noteholder of Subordinated Notes ("**Subordinated Noteholder**") of the compulsory Write-Off of Subordinated Notes, upon the occurrence of the Trigger Event (at the discretion of the Prudential Authority) are 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 of the compulsory Write-Off of Subordinated Notes is set out below. ***Prospective subscribers for or purchasers of any Subordinated Notes must consult their professional advisers in this regard.***

To the extent that Subordinated Notes are Written Off (on the basis that the Bank is no longer obliged to pay the relevant amount to the Subordinated Noteholders) this will be a realisation which will 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 Subordinated Noteholders. It is generally only on revenue account for a moneylender and in most cases the loss will be on capital account for the Subordinated Noteholders. Subordinated Noteholders can only claim a capital loss to the extent that there is a corresponding inclusion in gross income / income or a capital gain in the hands of the Bank.

To the extent that there is merely an impairment from an accounting perspective of the Subordinated Notes in the hands of a Subordinated Noteholder, that does not constitute an actual realisation, except in certain exceptional circumstances. It is only where there is an actual waiver or reduction that there would be tax consequences in the hands of the Subordinated Noteholder. This will then depend on whether the Subordinated Notes have been held on capital or revenue account.

There may also be recoupments or capital gains tax consequences for the Bank in the case of a waiver or reduction depending on how it used the proceeds of the Subordinated Notes.

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 or has acquired the Notes as part of a business in carrying out a profit-making scheme. 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 part of a business in carrying out a profit-making scheme.

Any discount or premium on acquisition which has already been treated as Interest for income tax purposes under section 24J of the Income Tax Act (see "*Original issue discount or premium*" above) will not again be taken into account when determining any capital gain or loss.

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 or are 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

In terms of the South African Value-Added Tax Act, 1991 ("**Value-Added Tax Act**"), no value-added tax ("**VAT**") is payable on the issue or transfer of the Notes. The issue, allotment or transfer of ownership of the Notes constitutes a "financial service", the supply of 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 this "financial service" are, in principle, subject to VAT at the current standard rate of 15 *per cent.*, depending on the circumstances and the identity of the relevant service provider.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each other than Estonia, a "**participating Member States**"). However, Estonia has ceased to participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary' market transactions) in certain circumstances.

U.S. Withholding Tax Under FATCA

Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 introduced a new reporting regime, being the Foreign Account Tax Compliance Act ("**FACTA**"). FACTA imposes withholding tax of 30 per cent. on any US sourced income, which is defined as any fixed, determinable, annual or periodic income paid to a foreign financial institution ("**FFI**") or to a "*direct reporting non-financial foreign entity*" ("**NFFE**") unless the FFI or direct reporting NFFE meets certain requirements. To meet these requirements, the FFI or direct reporting NFFE must enter into an agreement with the US Internal Revenue Service ("**IRS**") either via their respective country's government, being an Intergovernmental Agreement, or independently via the IRS directly. These entities are called "participating" entities. The agreement requires that the FFI or direct reporting NFFE must provide the IRS with certain information in respect of its account holders. Should the FFI or direct reporting NFFE be classified as "non-participating", then that FFI or direct reporting NFFE will be subject to a withholding tax of 30 per cent. on US sourced income in terms of FATCA. In certain circumstances an FFI or direct reporting NFFE must deduct and withhold a 30 per cent. tax on pass-through payments paid to account holders which have not supplied the required information (Non-Compliant Accountholders) or when the FFI or NFFE make payments to "non-participating FFIs".

The Bank is classified as an FFI.

The new withholding regime has become effective for payments from sources within the United States and applies to "foreign passthru payments" (a term not yet defined) no earlier than 1 January 2017. This withholding applies to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "grandfathering date", which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering clause; and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date, and additional Notes of the same Series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other countries have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an "**IGA**"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country will be treated as a "*Reporting Financial Institution*" ("**Reporting FI**") not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction generally would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. Under each Model IGA, a Reporting FFI would still be required

to report certain information in respect of its account holders and investors to its home government or to the IRS, depending on whether the reporting FFI is in a "Model 1" or "Model 2" jurisdiction.

There are a number of significant South African legal obstacles in complying with the FATCA reporting requirements. The Bank has made a substantial investment in processes and documentation ensuring that all due diligence requirements are met under FATCA; and most importantly a reporting framework and system to enable the Issuer to report all US Noteholders to the South African Revenue Services.

The South African Government and the U.S. Government signed an IGA ("**South African IGA**") in respect of FATCA on 09 June 2014. Under the South African IGA, South African FFIs will generally be regarded as "participating entities" with FATCA. Depending on the nature of the relevant FFI, FATCA Withholding may not be required from payments made with respect to the Notes other than in certain prescribed circumstances. However, under the South African IGA, an FFI is required to provide the South African Revenue Services with information on financial accounts (for example, the Notes) held by U.S. persons and on payments made to non-participating FFIs. Consequently, Noteholders may be requested to provide certain information and certifications, such as an IRS W-9 form, or an IRS W-8BEN form, or an IRS W-8BEN-E form, to the Bank and to any other financial institutions through which payments on the Notes are made in order for the Bank and such other financial institutions to comply with their FATCA obligations.

The Bank expects that any branch through which it issues Notes will be treated as a Reporting FI due to the fact that the branch is either obligated under its own jurisdiction's IGA or due to the fact that it is a participating FFI as it forms part of the expanded affiliated group (as defined in FATCA) of the relevant FFI.

*In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding, this means that there will be no gross-up on any interest that is withheld due to FATCA.

FATCA is particularly complex legislation. The above description is based in part on U.S. Treasury regulations official guidance and the South African IGA, all of which are subject to change or may be implemented in materially different form.

Potential investors in the Notes should consult their own tax advisers to determine how these rules may apply to payments they will receive under the Notes and the potential impact of the implementation of the South African IGA and implementing legislation on them.

Common Reporting Standards

Common Reporting Standards ("**CRS**") is part of a global standard that was proposed in 2014 by the OECD (the Organisation of Economic Co-operation and Development), at the request of the G8 and the G20, for the annual cross border exchange of information on financial accounts.

Countries around the world came together and agreed to exchange tax information in an effort to prevent individuals and corporations from using banks and other financial organisations to avoid taxation on their income and assets. South Africa is a signatory to this multilateral competent authority agreement along with most other countries across the world, each of whom will now exchange tax information between each other.

South African financial institutions are thus required to submit to the South African Revenue Service information on Noteholders, including controlling persons of those Noteholders, that have tax obligations, tax liabilities or tax residencies outside of South Africa.

Noteholders may be requested to provide certain information and certifications, such as a self-certification form to the Bank.

SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Bank to any one or more of Nedbank Limited 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 Bank to, and purchased by, Dealers are set out in an amended and restated Dealer Agreement dated 15 December 2020 (the "**Dealer Agreement**") and made between the Bank 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 Bank 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.

Prohibition of Sales to EEA and UK Retail Investors

Unless the Final Terms in respect of any Notes specifies the "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Prospectus as completed by the Final Terms in relation thereto to any retail investor in the EEA or the UK. For the purposes of this provision: the expression "retail investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

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, as amended from time to time ("**Banks Act**"), the Regulations Relating to Banks promulgated under the Banks Act and published as Government Notice No. 297 in *Government Gazette* No. 40002, dated 20 May 2016, as amended ("**Regulations Relating to Banks**"), the Exchange Control Regulations, 1961 promulgated pursuant to the South African Currency and Exchanges Act, 1933, as amended from time to time (the "**Exchange Control Regulations**"), the South African Companies Act, 2008, as amended from time to time ("**Companies Act**") and/or any other applicable laws and regulations of South Africa in force from time to time.

In particular (and without prejudice to the exchange control approval requirements described in the section of this Prospectus headed "*Exchange Control*" under "*Issuance of each Series of Notes under the Programme*" above):

- This Prospectus does not, nor is it intended to, constitute a "*prospectus*" (as contemplated in the Companies Act) and each Dealer has (or will have) represented, warranted and agreed that it will not make an "offer to the public" (as such expression is defined in the Companies Act) of Notes (whether for subscription, purchase or sale) in South Africa.
- Notes will not be offered for subscription or sale in South Africa 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).
- In terms of Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F) of the Regulations Relating to Banks, no Subordinated Notes may be held or acquired by the "[B]ank or any person related to or associated with the [B]ank over which the [B]ank exercises or may exercise control or significant influence".
- No proscribed entity referred to in Regulations 38(11)(b)(iv)(E) and 38(12)(a)(iv)(F) of the Regulations Relating to Banks, may purchase or acquire or hold any Subordinated Notes and each Dealer has (or will have) represented, warranted and agreed that it will not solicit any offers for subscription for or sale of Subordinated Notes from, and will itself not sell Subordinated Notes to, such proscribed entity.

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.

[PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS] - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA") or the United Kingdom (the "**United Kingdom**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.]⁷

[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET] – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "**MiFID II**")]/[MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

Final Terms dated [•]

NEDBANK LIMITED

Legal Entity Identifier (LEI): 21380045ZWV47T9O3741

(Registration Number 1951/000009/06)

Issue of [Aggregate Principal 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 December 2020 [and the supplement to the Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Prospectus**") for the purposes of the Prospectus Regulation. This document constitutes the Final Terms relating to the issue of Notes described herein for the purposes of the Prospectus Regulation. These Final Terms contain the final terms of the Notes and must be read in conjunction with the Prospectus [as so supplemented] in order to obtain all the relevant information. The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129.

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.

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Legend to be included on the front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document ("**KID**") will be prepared or if the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

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/SONIA/SOFR] +/-]
[•] 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 Prudential 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/SONIA/SOFR] |
| | • 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/[•] Business Days prior to the end of each Interest Period or, if earlier, prior to the date on which the Notes are redeemed. |
| | • Relevant Screen Page: | [•] |

- Relevant Time: [•]
 - Relevant Financial Centre: [•]/Not Applicable
 - Calculation Method: [Compounded Daily/Weighted Average/Not Applicable]
 - Observation Method: [Lag/Lock-out/Not Applicable]
 - Observation Look-back Period ("p"): [[•]/Not Applicable]
 - D: [365/360/Not Applicable]
- (ix) ISDA Determination: [Applicable/Not Applicable]
- ISDA Benchmarks Supplement: [Applicable/Not Applicable]
- Floating Rate Option: [•]
 - Designated Maturity: [•]
 - Reset Date: [•]
- (x) Linear Interpolation Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation
- (xi) Margin(s): [+/-][•] per cent. per annum
- (xii) Minimum Rate of Interest: [•] per cent. per annum
- (xiii) Maximum Rate of Interest: [•] per cent. per annum
- (xiv) 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 Prudential 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 Prudential 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: [•]
21. **Credit Linked Provisions** [Applicable/Not Applicable]
- (i) Type of Credit Linked Notes [Single Reference Entity CLN]
[Nth-to-Default CLN]
N: [•]
[Basket CLN]
- (ii) Substitution: [Applicable] [Not applicable] ["Reference Obligation Only Trade" is Applicable]
- (iii) Transaction Type: [Include for the/each Reference Entity]/[Not Applicable]

[If a Transaction Type applies, insert:

The "**Standard Terms**" in respect of [the/a] Reference Entity will be the standard terms set out in the Credit Derivatives Physical Settlement Matrix dated [insert date] as published by ISDA on its website at www.isda.org, in relation to the Transaction Type for [the/such] Reference Entity]
- (iv) Trade Date: [•]

- (v) Scheduled Maturity Date: [•]
- (vi) Calculation Agent responsible for making calculations and determinations pursuant to the Credit Linked Conditions: [•]
- (vii) Reference Entity(ies): [•]⁸
- Address:
Country of Incorporation:
Industry:
Market on which securities admitted to trading:
- (viii) Reference Entity Notional Amount: [•]/[In respect of each Reference Entity, an amount in the Specified Currency equal to the Aggregate Nominal Amount of the Notes]/[In respect of each Reference Entity, an amount in the Specified Currency equal to *[insert fraction]* of the Aggregate Nominal Amount of the Notes]
- (ix) Reference Obligation(s): [The below Reference Obligation[s] in respect of the Reference Entity[y][ies]]/[Standard Reference Obligation is applicable. The Seniority Level is [Senior Level / Subordinated Level]] [ISIN: [•]]

[List first Reference Entity if more than one]

[Primary Obligor:

Guarantor: [•]/[Not applicable]

Maturity: [•]

Coupon: [•]

CUSIP/ISIN: [•]

Original Issue Amount: [•]

[If more than one Reference Entity, repeat the above for each Reference Entity]

(x) All Guarantees: [Applicable][Not Applicable][As per the Standard Terms]

(xi) Credit Events: [As per the Standard Terms]
[Bankruptcy]
[Failure to Pay]
[Grace Period Extension] [Applicable]/[Not applicable]
[If applicable: Grace Period: *[specify]*][As set out in the Credit Linked Conditions]
[Obligation Default]
[Obligation Acceleration]
[Repudiation/Moratorium]
[Restructuring]

⁸ Note: reference entity must have securities admitted to a regulated market, equivalent third country market or SMF growth market.

		[Provisions relating to Restructuring Credit Event: [Mod R/Mod Mod R] applicable] [Credit Linked Condition 8.5 (<i>Multiple Holder Obligations</i>) shall not apply] [Governmental Intervention] [specify] [As per Credit Linked Condition 11] [specify] [As per Credit Linked Condition 11]
	Default Requirement: Payment Requirement:	
(xii)	Obligation(s):	
	Obligation Category:	[As per the Standard Terms] [Payment] [Borrowed Money] [Reference Obligation Only] [Bond] [Loan] [Bond or Loan] (select one only)
	Obligation Characteristics:	[As per the Standard Terms] [Not Subordinated] [Specified Currency: [specify currency/Standard Specified Currency] [Not Sovereign Lender] [Not Domestic Currency: Domestic Currency means [specify currency]] [Not Domestic Law] [Listed] [Not Domestic Issuance] (select all of which apply)
(xiii)	Excluded Obligation(s):	[specify][Not applicable]
(xiv)	Settlement Method:	[Auction Settlement]/[Physical Settlement]/[Cash Settlement]
(xv)	Fallback Settlement Method:	[Cash Settlement]/[Physical Settlement]/[Not applicable]
(xvi)	Settlement Deferral:	[Applicable]/ [Not applicable]
(xvii)	Cut-off Date:	[•]/[As per Credit Linked Condition 4.8]/[Not applicable]
(xviii)	Settlement Currency:	[Specify]
(xix)	Merger Event:	[Credit Linked Condition 2.3 [Applicable]/[Not applicable] (If applicable): [Merger Event Redemption Date: [•]]
(xx)	LPN Reference Entities:	[Applicable] [Not applicable]
(xxi)	Financial Reference Entity Terms:	[Applicable] [Not applicable] ["Governmental Intervention" is applicable] [As per the Standard Terms]
(xxii)	Subordinated European Insurance Terms:	[Applicable][Not applicable][As per the Standard Terms]
(xxiii)	Terms relating to Cash Settlement:	[As per the Credit Linked Conditions]/[Not applicable]
	Weighted Average Final Price:	[Applicable]/[Not applicable]
	Final Price:	[As per Credit Linked Condition 11][[•] %]
	Valuation Time:	[specify][As per Credit Linked Condition 11]
	Quotation Amount:	[specify][Representative Amount][Credit Linked Condition 11 applies]
	Accrued Interest:	[Included Accrued Interest]/[Exclude Accrued Interest]/[As per Credit Linked Condition 2.6(b)(iii)]

(xxiv)	Terms relating to Physical Settlement: Deliverable Obligation Category: Deliverable Obligation Characteristics: Excluded Deliverable Obligation: Accrued Interest: Partial Cash Settlement of Consent Required Loans: Partial Cash Settlement of Assignable Loans: Partial Cash Settlement of Participations: Physical Settlement Period: Qualifying Participation Seller:	[As per Credit Linked Condition 4]/[Not applicable]/[Asset Package Delivery is applicable] [As per the Standard Terms] [Payment] [Borrowed Money] [Reference Obligation Only] [Bond] [Loan] [Bond or Loan][Not applicable] <i>(select one only)</i> [As per the Standard Terms] [Not Subordinated][Specified Currency: <i>[specify currency]</i> /Standard Specified Currency] [Not Sovereign Lender] [Not Domestic Currency: Domestic Currency means <i>[specify currency]</i>] [Not Domestic Law] [Not Domestic Issuance] [Assignable Loan] [Consent Required Loan] [Direct Loan Participation] [Transferable] [Listed] <i>[specify]</i>] [Maximum Maturity: [•] years] [Accelerated or Matured] [Not Bearer][Not applicable] <i>(select all of which apply)</i> <i>[specify]</i> [Not applicable] [Included Accrued Interest]/[As per Credit Linked Condition 2.6(a)] [Applicable]/[Not applicable] [Applicable]/[Not applicable] [Applicable]/[Not applicable] <i>[specify]</i> Business Days]/[As per the Standard Terms]/[As per Credit Linked Condition 11] <i>[specify]</i> [Not applicable]
(xxv)	Cessation of Interest Accrual:	[As per Credit Linked Condition 3.1(a)]/[As per Credit Linked Condition 3.1(b)]
(xxvi)	Interest:	As per Paragraph [18]/[19] below, subject to the Credit Linked Conditions
(xxvii)	Continuation of Interest Accrual following Scheduled Maturity:	[Applicable: [As per Credit Linked Condition 3.2(a)]/[As per Credit Linked Condition 3.2(b): <i>[Insert rate]</i>]/[Not applicable]
(xxviii)	Notice of Publicly Available Information:	[Applicable]/[Not applicable] Public Source(s): <i>[specify]</i> [As per Credit Linked Condition 11]
(xxix)	Additional Credit Linked Note Disruption Events:	[The following Additional Credit Linked Note Disruption Events apply:] [Not applicable] <i>(Specify each of the following which applies.)</i> [Change in Law] [Hedging Disruption] [Increased Cost of Hedging]
(xxx)	CLN Business Days:	[Specify]/[As per the Credit Linked Conditions]

General Provisions Applicable to the Notes

22. 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.
23. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/[•]]
24. Calculation Agent responsible for making calculations: [•]
25. (i) If syndicated, names of Managers: [Not Applicable/give names]
- (ii) Stabilisation Manager (if any): [Not Applicable/give names]
26. If non-syndicated, name of Dealer: [Not Applicable/give names]
27. U.S. Selling Restrictions: Reg. S Compliance Category 2
28. Prohibition of Sales to EEA and UK Retail Investors: [Not Applicable] [Applicable]
- (If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)
29. Relevant Benchmark[s] [EURIBOR / LIBOR / SONIA / SOFR] is provided by [administrator legal name][repeat as necessary]. As at the date hereof, [[administrator legal name][appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmark Regulation/[As far as the Issuer is aware, as at the date hereof, [specify benchmark] does not fall within the scope of the Benchmark Regulation]/ [As far as the Issuer is aware, the transitional provisions in Article 51 of Regulation (EU) 2016/1011, as amended apply, such that [name of administrator] is not currently required to obtain authorisation/registration (or, if located outside the European Union and the United Kingdom, recognition, endorsement or equivalence)]/ [Not Applicable]

SIGNED on behalf of **NEDBANK LIMITED**:

By:
Duly authorised

PART B - OTHER INFORMATION

1. Listing and Admission to Trading

- | | | |
|------|--|---|
| (i) | 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 [•]. |
| (ii) | Estimate of total expenses related to admission to trading | [•] |

2. Ratings

[Applicable / Not Applicable]

Ratings:

The Notes to be issued [have/have not been rated:

[Standard & Poor Global Inc.: [•]]

[Moody's Investors Service South Africa (Pty) Ltd: [•]] [*include disclosure as to ratings definition*]

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 and Estimated Net Proceeds

- | | | |
|------|-------------------------|--|
| (i) | Reasons for the offer | [•]/[An amount of funding equivalent to the net proceeds of the issue of the Notes (as at the Issue Date) will be allocated as funding for Eligible Projects.] / [See " <i>General Information - Use of Proceeds</i> " in the Prospectus.] |
| (ii) | Estimated net proceeds: | [Not Applicable/[•]] |

5. [Fixed Rate Notes Only – Yield

[Not Applicable/[•]]

Indication of yield:

[The yield is calculated as at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. [Floating Rate Notes - Historic interest rates]

[Details of historic [LIBOR/EURIBOR/SONIA/SOFR] rates can be obtained from [Reuters].]

7. Operational Information

ISIN Code: [•]

Common Code: [•]

CFI: [[See/[•], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]

FISN: [[See/[•], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]

(If the CFI and/or FISN is not required, it/they should be specified to be "Not Applicable")

CUSIP: [•]

Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking S.A. 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 REGULATION (EU) 2017/1129 FOR THE ISSUE OF NOTES DESCRIBED IN THIS PRICING SUPPLEMENT. THE UK LISTING AUTHORITY HAS NEITHER APPROVED NOR REVIEWED THIS PRICING SUPPLEMENT.

[PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA") or in the United Kingdom (the "United Kingdom"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No. 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.]⁹

[MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, "MiFID II")]/[MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

Pricing Supplement dated [•]

NEDBANK LIMITED

Legal Entity Identifier (LEI): 21380045ZWV47T9O3741

(Registration Number 1951/000009/06)

Issue of [Aggregate Principal 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 December 2020 [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 Regulation (EU) 2017/1129 (and amendments thereto) (the "**Prospectus Regulation**") and the Notes described herein may not be admitted to trading on a regulated market in the EEA or the UK, and/or offered to the public in the EEA or the UK unless an exemption is available under the Prospectus Regulation. No prospectus is required in accordance with the Prospectus Regulation for the issue of notes described in this pricing supplement and the Notes described herein are not compliant with the Prospectus Regulation. 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

⁹ Legend to be included on the front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document ("**KID**") will be prepared or if the Issuer wishes to prohibit offers to EEA or UK retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

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/SONIA/SOFR] +/-]
[•] per cent. Floating Rate]
[Zero Coupon] / Not Applicable]
(further particulars specified below)
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 Prudential 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/SONIA/SOFR] |
| | • 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]/[•] Business Days prior to the end of each Interest Period or, if earlier, prior to the date on which the Notes are redeemed.] |
| | • Relevant Screen Page: | [•] |

	• Relevant Time:	[•]
	• Relevant Financial Centre:	[•]/Not Applicable
	• Calculation Method:	[Compounded Daily/Weighted Average/Not Applicable]
	• Observation Method:	[Lag/Lock-out/Not Applicable]
	• Observation Look-back Period ("p"):	[[•]/Not Applicable]
	• D:	[365/360/Not Applicable]
(ix)	ISDA Determination:	[Applicable/Not Applicable]
	ISDA Benchmarks Supplement:	[Applicable/Not Applicable]
	• Floating Rate Option:	[•]
	• Designated Maturity:	[•]
	• Reset Date:	[•]
(x)	Linear Interpolation	Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation
(xi)	Margin(s):	[+/-][•] per cent. per annum
(xii)	Minimum Rate of Interest:	[•] per cent. per annum
(xiii)	Maximum Rate of Interest:	[•] per cent. per annum
(xiv)	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 Prudential 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 Prudential 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:	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]
22.	Credit Linked Provisions		
	(i)	Type of Credit Linked Notes	[Single Reference Entity CLN] [Nth-to-Default CLN] N: [•] [Basket CLN]
	(ii)	Substitution:	[Applicable] [Not applicable] ["Reference Obligation Only Trade" is Applicable]
	(iii)	Transaction Type:	[<i>Include for the/each Reference Entity</i>]/[Not Applicable] [If a Transaction Type applies, insert: The " Standard Terms " in respect of [the/a] Reference Entity will be the standard terms set out in the Credit Derivatives Physical Settlement Matrix dated [<i>insert date</i>] as published by ISDA on its website at www.isda.org , in relation to the Transaction Type for [the/such] Reference Entity]
	(iv)	Trade Date:	[•]

- (v) Scheduled Maturity Date [•]
- (vi) Calculation Agent responsible for making calculations and determinations pursuant to the Credit Linked Conditions: [•]
- (vii) Reference Entity(ies): [•]¹⁰
 Address:
 Country of Incorporation:
 Industry:
 Market on which securities admitted to trading:
- (viii) Reference Entity Notional Amount: [•]/[In respect of each Reference Entity, an amount in the Specified Currency equal to the Aggregate Nominal Amount of the Notes]/[In respect of each Reference Entity, an amount in the Specified Currency equal to *[insert fraction]* of the Aggregate Nominal Amount of the Notes]
- (ix) Reference Obligation(s): [The below Reference Obligation[s] in respect of the Reference Entity[ies]]/[Standard Reference Obligation is applicable. The Seniority Level is [Senior Level / Subordinated Level]] [ISIN: [•]]
- [List first Reference Entity if more than one]*
- [Primary Obligor:
- Guarantor: [•]/[Not applicable]
- Maturity: [•]
- Coupon: [•]
- CUSIP/ISIN: [•]
- Original Issue Amount: [•]
- [If more than one Reference Entity, repeat the above for each Reference Entity]*
- (x) All Guarantees: [Applicable][Not Applicable][As per the Standard Terms]
- (xi) Credit Events: [As per the Standard Terms]
 [Bankruptcy]
 [Failure to Pay]
 [Grace Period Extension] [Applicable]/[Not Applicable]
 [If applicable: Grace Period: *[specify]*][As set out in the Credit Linked Conditions]
 [Obligation Default]

¹⁰ Note: reference entity must have securities admitted to a regulated market, equivalent third country market or SMF growth market.

	[Obligation Acceleration]
	[Repudiation/Moratorium]
	[Restructuring]
	[Provisions relating to Restructuring Credit Event: [Mod R/Mod Mod R] applicable]
	[Credit Linked Condition 8.5 (<i>Multiple Holder Obligations</i>) shall not apply]
	[Governmental Intervention]
Default Requirement:	[specify] [As per Credit Linked Condition 11]
Payment Requirement:	[specify] [As per Credit Linked Condition 11]
(xii) Obligation(s):	
Obligation Category:	[As per the Standard Terms]
	[Payment] [Borrowed Money] [Reference Obligation Only] [Bond] [Loan] [Bond or Loan]
	(select one only)
Obligation Characteristics:	[As per the Standard Terms]
	[Not Subordinated] [Specified Currency: [specify currency]/Standard Specified Currency] [Not Sovereign Lender] [Not Domestic Currency: Domestic Currency means [specify currency]] [Not Domestic Law] [Listed] [Not Domestic Issuance]
	(select all of which apply)
(xiii) Excluded Obligation(s):	[specify][Not Applicable]
(xiv) Settlement Method:	[Auction Settlement]/[Physical Settlement]/[Cash Settlement]
(xv) Fallback Settlement Method:	[Cash Settlement]/[Physical Settlement]/[Not Applicable]
(xvi) Settlement Deferral:	[Applicable]/ [Not Applicable]
(xvii) Cut-off Date:	[•]/[As per Credit Linked Condition 4.8]/[Not applicable]
(xviii) Settlement Currency	[Specify]
(xix) Merger Event:	[Credit Linked Condition 2.3 [Applicable]/[Not Applicable]
	(If applicable):
	[Merger Event Redemption Date: [•]]
(xx) LPN Reference Entities:	[Applicable] [Not Applicable]

(xxi)	Financial Reference Entity Terms:	[Applicable] [Not Applicable] ["Governmental Intervention" is applicable] [As per the Standard Terms]
(xxii)	Subordinated European Insurance Terms:	[Applicable][Not Applicable][As per the Standard Terms]
(xxiii)	Terms relating to Cash Settlement:	[As per the Credit Linked Conditions]/[Not applicable]
	Weighted Average Final Price:	[Applicable]/[Not Applicable]
	Final Price:	[As per Credit Linked Condition 11][[•] %]
	Valuation Time:	[specify][As per Credit Linked Condition 11]
	Quotation Amount:	[specify][Representative Amount][Credit Linked Condition 11 applies]
	Accrued Interest:	[Included Accrued Interest]/[Exclude Accrued Interest]/[As per Credit Linked Condition 2.6(b)(iii)]
(xxiv)	Terms relating to Physical Settlement:	[As per Credit Linked Condition 4]/[Not Applicable]/[Asset Package Delivery is applicable]
	Deliverable Obligation Category:	[As per the Standard Terms] [Payment] [Borrowed Money] [Reference Obligation Only] [Bond] [Loan] [Bond or Loan][Not applicable] (select one only)
	Deliverable Obligation Characteristics:	[As per the Standard Terms] [Not Subordinated][Specified Currency: [specify currency]/Standard Specified Currency] [Not Sovereign Lender] [Not Domestic Currency: Domestic Currency means [specify currency]] [Not Domestic Law] [Not Domestic Issuance] [Assignable Loan] [Consent Required Loan] [Direct Loan Participation] [Transferable] [Listed] [specify] [Maximum Maturity: [•] years] [Accelerated or Matured] [Not Bearer][Not applicable] (select all of which apply)
	Excluded Deliverable Obligation:	[specify] [Not Applicable]
	Accrued Interest:	[Included Accrued Interest]/[As per Credit Linked Condition 2.6(a)]
	Partial Cash Settlement of Consent Required Loans:	[Applicable]/[Not Applicable]
	Partial Cash Settlement of Assignable Loans:	[Applicable]/[Not Applicable]

Partial Cash Settlement of Participations:	[Applicable]/[Not Applicable]
Physical Settlement Period:	[specify] Business Days/[As per the Standard Terms]/[As per Credit Linked Condition 11]
Qualifying Participation Seller:	[specify] [Not Applicable]
(xxv) Cessation of Interest Accrual:	[As per Credit Linked Condition 3.1(a)]/[As per Credit Linked Condition 3.1(b)]
(xxvi) Interest:	As per Paragraph [18]/[19] below, subject to the Credit Linked Conditions
(xxvii) Continuation of Interest Accrual following Scheduled Maturity:	[Applicable: [As per Credit Linked Condition 3.1(a)]/[As per Credit Linked Condition 3.1(b): [Insert rate]]]/[Not Applicable]
(xxviii) Notice of Publicly Available Information:	[Applicable]/[Not Applicable]
	Public Source(s): [specify] [As per Credit Linked Condition 11]
(xxix) Additional Credit Linked Note Disruption Events:	[The following Additional Credit Linked Note Disruption Events apply:] [Not applicable]
	(Specify each of the Following which applies.)
	[Change in Law]
	[Hedging Disruption]
	[Increased Cost of Hedging]
(xxx) CLN Business Days:	[Specify]/[As per the Credit Linked Conditions]
General Provisions Applicable to the Notes	
23. 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.
24. Additional Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/[•]]
25. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	[Not Applicable/[•]]
26. Calculation Agent responsible for making calculations:	[•]
	(specify only if Calculation Agent is not The Bank of New York Mellon)
27. If non-syndicated, name of Dealer:	[Not Applicable/give names]
28. U.S. Selling Restrictions:	Reg. S Compliance Category 2

29. Prohibition of Sales to EEA and UK Retail Investors: [Not Applicable] [Applicable]
- (If the Notes clearly do not constitute "packaged" products, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified.)*
30. Relevant Benchmark[s]
- [EURIBOR / LIBOR / SONIA / SOFR] is provided by [administrator legal name][repeat as necessary]. As at the date hereof, [[administrator legal name][appears]/[does not appear]][repeat as necessary] in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 (*Register of administrators and benchmarks*) of the Benchmark Regulation/[As far as the Issuer is aware, as at the date hereof, [specify benchmark] does not fall within the scope of the Benchmark Regulation]/ [As far as the Issuer is aware, the transitional provisions in Article 51 of Regulation (EU) 2016/1011, as amended apply, such that [name of administrator] is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence)]/ [Not Applicable]

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: The Notes to be issued [have/have not been rated:

[Standard & Poor Global Inc: [•]]

[Moody's Investors Service South Africa (Pty) Ltd: [•]]

[[Other]: [•]]

[and endorsed by [insert details]] [*include disclosure as to ratings definition*]

Standard & Poor Global Inc. and Moody's Investors Service South Africa (Pty) Ltd are not established in the EEA or the UK or registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**").

3. Operational Information

ISIN Code: [•]

Common Code: [•]

CFI: [[See/[•], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]

FISN: [[See/[•], as updated, as set out on] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN / Not Applicable / Not Available]

(If the CFI and/or FISN is not required, it/they should be specified to be "Not Applicable")

CUSIP: [•]

Any clearing system(s) other than Euroclear Bank SA/NV, Clearstream Banking S.A. 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 18 December 2020. 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 and subsequent updates of the Programme were authorised by written resolutions of the Board of Directors of the Issuer passed on 1 August 2008. 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

Save as disclosed in the risk factor entitled "*The COVID-19 pandemic and the Lockdown have impacted the Issuer's business, and the ultimate impact on its business and financial results will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities in response to the COVID-19 pandemic*", there has been no significant change in the financial position or financial performance of the Group since 30 June 2020 and no material adverse change in the prospects of the Issuer since 31 December 2019.

4. Auditors

The audited consolidated financial statements of the Issuer for the year ended 31 December 2019 have been audited without qualification by: (i) Deloitte and Touche whose address is at Deloitte Place, The Woodlands, 20 Woodlands Drive, Woodmead 2128, South Africa; and (ii) Ernst & Young Inc. whose address is 102 Rivonia Road, Sandton 2196, Johannesburg, South Africa.

The audited consolidated financial statements of the Issuer for the year ended 31 December 2018 have been audited without qualification by: (i) KPMG Inc. whose address is KPMG Crescent, 85 Empire Road, Parktown 2193, Johannesburg, South Africa; and (ii) Deloitte & Touche whose address is Deloitte Place, The Woodlands, 20 Woodlands Drive, Woodmead 2128, South Africa.

The Interim Results have not been audited or independently reviewed by the Issuer's external auditors.

5. Approvals

The Issuer requires the consent of the Prudential Authority in accordance with section 79(1)(b) of the Banks Act, 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 Prudential 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 Series and 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, or may be accessed at www.nedbank.co.za, for 12 months from the date of this Prospectus:

- (a) the Certificate of Incorporation and Memorandum of Incorporation of the Issuer (as the same may be updated from time to time);

- (b) the audited consolidated financial statements of the Issuer for the years ended 31 December 2019 and 31 December 2018;
- (c) the amended and restated Agency Agreement dated 15 December 2020 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 December 2020 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 Unsubordinated 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, for example the funding of Eligible Projects, this will be stated in the applicable Final Terms.

Subject to the applicable Capital Regulations, the proceeds of the issue of a Series of Additional Tier 1 Notes will rank as Additional Tier 1 Capital and the proceeds of the issue of a Series of Tier 2 Notes will rank as Tier 2 Capital, as specified 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 set 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.

11. Legal Entity Identifier (LEI)

The Legal Entity Identifier ("LEI") of the Issuer is 21380045Z WV47T9O3741.

12. Validity of Prospectus

For the avoidance of doubt, the Issuer shall have no obligation to supplement this Prospectus after the end of its 12-month validity period.

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